



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

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT
CLERMONT COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Felicity-Franklin Local School District, Clermont County, Ohio (the District), as of and for the fiscal year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

As described in Note 19, the accompanying Combined Balance Sheet replaces the Combined Balance Sheet in the District's general-purpose financial statement for the fiscal year ended June 30, 2001. The Combined Balance Sheet was revised to correct the ASSETS AND OTHER DEBITS section.

Jim Petro
Auditor of State

December 4, 2001, except for the last paragraph which is dated January 9, 2002.

FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Asset	General Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$ 1,883,342	155,616	377,602	515,253	138,146	24,443	-	-	3,094,402
Investments	1,444,889	-	-	-	-	-	-	-	1,444,889
Net receivables:									
Taxes	1,019,949	24,088	216,886	-	-	-	-	-	1,260,923
Accounts	10,639	3,545	-	-	81	-	-	-	14,265
Interest	19,930	-	-	-	-	-	-	-	19,930
Intergovernmental	-	30,000	-	53,500	-	-	-	-	83,500
Prepaid items	39,437	-	-	-	-	-	-	-	39,437
Inventory held for resale	-	-	-	-	20,015	-	-	-	20,015
Restricted assets:									
Cash and cash equivalents	62,192	-	-	-	-	-	-	-	62,192
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	164,327	-	14,786,080	-	14,950,407
OTHER DEBITS:									
Amount available in Debt Service Fund	-	-	-	-	-	-	-	418,302	418,302
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	1,726,280	1,726,280
Total assets and other debits	\$ 4,480,378	213,249	594,488	568,753	322,569	24,443	14,786,080	2,144,582	23,134,542

The notes to the financial statements are an integral part of this statement.

FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2001

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Enterprise	Fund Types Trust & Agency	General Fixed Asset	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$ 18,598	-	-	465	-	-	-	-	19,063
Accrued wages and benefits	566,776	65,508	-	-	26,057	-	-	-	658,341
Compensated absences payable	39,394	-	-	-	13,509	-	-	462,061	514,964
Due to student groups	-	-	-	-	-	24,443	-	-	24,443
Deferred revenue	818,849	19,588	176,186	-	15,137	-	-	-	1,029,760
Pension obligation payable	110,457	15,709	-	-	11,535	-	-	50,784	188,485
Capital leases payable	-	-	-	-	-	-	-	11,737	11,737
General Obligation Bonds payable	-	-	-	-	-	-	-	1,620,000	1,620,000
Total liabilities	<u>1,554,074</u>	<u>100,805</u>	<u>176,186</u>	<u>465</u>	<u>66,238</u>	<u>24,443</u>	<u>-</u>	<u>2,144,582</u>	<u>4,066,793</u>
EQUITY AND OTHER CREDITS									
Investments in general fixed assets	-	-	-	-	-	-	14,786,080	-	14,786,080
Retained earnings: unreserved	-	-	-	-	256,331	-	-	-	256,331
Fund balances:									
Reserved for:									
Encumbrances	206,644	17,840	-	14,127	-	-	-	-	238,611
Bus acquisition	62,192	-	-	-	-	-	-	-	62,192
Property tax advances	201,100	4,500	40,700	-	-	-	-	-	246,300
Designated for:									
Textbooks and instructional materials	11,062	-	-	-	-	-	-	-	11,062
Capital improvement	123,182	-	-	-	-	-	-	-	123,182
Unreserved - undesignated	2,322,124	90,104	377,602	554,161	-	-	-	-	3,343,991
Total equity and other credits	<u>2,926,304</u>	<u>112,444</u>	<u>418,302</u>	<u>568,288</u>	<u>256,331</u>	<u>-</u>	<u>14,786,080</u>	<u>-</u>	<u>19,067,749</u>
Total liabilities, equity and other credits	<u>\$ 4,480,378</u>	<u>213,249</u>	<u>594,488</u>	<u>568,753</u>	<u>322,569</u>	<u>24,443</u>	<u>14,786,080</u>	<u>2,144,582</u>	<u>23,134,542</u>

The notes to the financial statements are an integral part of this statement.

FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances - All Governmental Fund Types

Year Ended June 30, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$ 1,084,017	24,781	223,529	-	1,332,327
Tuition	120,151	-	-	-	120,151
Earnings on investments	282,577	-	-	-	282,577
Other local revenue	98,922	72,895	-	-	171,817
Intergovernmental - state	5,791,604	513,261	24,123	115,752	6,444,740
Intergovernmental - federal	-	449,325	-	-	449,325
Total revenues	<u>7,377,271</u>	<u>1,060,262</u>	<u>247,652</u>	<u>115,752</u>	<u>8,800,937</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,091,279	495,691	-	24,487	3,611,457
Special	749,878	377,407	-	-	1,127,285
Vocational education	140,033	-	-	-	140,033
Other	-	14,000	-	-	14,000
Support services:					
Pupil	310,295	29,673	-	-	339,968
Instructional staff	368,247	34,535	-	-	402,782
General administration	10,525	-	-	-	10,525
School administration	610,699	2,052	-	-	612,751
Fiscal	247,040	-	-	-	247,040
Operations and maintenance	844,757	18,172	-	-	862,929
Pupil transportation	495,486	-	-	-	495,486
Central	28,744	5,000	-	-	33,744
Extracurricular activities	80,295	58,598	-	-	138,893
Debt Service:					
Principal	10,815	-	45,000	-	55,815
Interest	1,705	-	111,668	-	113,373
Total expenditures	<u>6,989,798</u>	<u>1,035,128</u>	<u>156,668</u>	<u>24,487</u>	<u>8,206,081</u>
Excess of revenues over expenditures	387,473	25,134	90,984	91,265	594,856
Other financing sources (uses):					
Other financing sources	33,371	-	-	-	33,371
Other financing uses	-	-	-	(33,371)	(33,371)
Operating transfers in	-	-	-	100,000	100,000
Operating transfers out	(100,000)	-	-	-	(100,000)
Total other financing sources (uses)	<u>(66,629)</u>	<u>-</u>	<u>-</u>	<u>66,629</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other (uses)	320,844	25,134	90,984	157,894	594,856
Fund balance, beginning of year	2,605,460	87,310	327,318	410,394	3,430,482
Fund balance, end of year	\$ <u>2,926,304</u>	<u>112,444</u>	<u>418,302</u>	<u>568,288</u>	<u>4,025,338</u>

The notes to the financial statements are an integral part of this statement.

FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budget Basis) - All Governmental Fund Types

Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 1,013,417	1,013,417	-	23,581	23,581	-
Tuition	117,795	117,795	-	-	-	-
Earnings on investments	251,109	248,203	(2,906)	-	-	-
Other local revenues	102,791	102,791	-	68,154	68,154	-
Intergovernmental - state and local	5,794,204	5,794,204	-	513,104	513,262	158
Intergovernmental - federal	-	-	-	449,325	449,325	-
Total revenues	<u>7,279,316</u>	<u>7,276,410</u>	<u>(2,906)</u>	<u>1,054,164</u>	<u>1,054,322</u>	<u>158</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,044,569	3,189,820	854,749	589,136	493,362	95,774
Special	1,216,892	744,006	472,886	400,016	382,404	17,612
Vocational	220,339	155,201	65,138	-	-	-
Other	32,306	-	32,306	14,000	14,000	-
Support services:						
Pupil	339,121	288,307	50,814	32,326	30,579	1,747
Instructional staff	549,648	379,193	170,455	52,526	45,490	7,036
General administration	10,621	9,397	1,224	-	-	-
School administration	765,265	600,838	164,427	2,052	2,052	-
Fiscal	310,217	263,740	46,477	-	-	-
Operations and maintenance	1,344,021	895,221	448,800	28,901	20,722	8,179
Pupil transportation	996,220	515,512	480,708	-	-	-
Central	42,367	28,995	13,372	5,000	5,000	-
Facilities acquisition and construction	32,238	6,000	26,238	-	-	-
Extracurricular activities	104,382	83,072	21,310	67,991	61,029	6,962
Debt Service:						
Principal and interest	-	-	-	-	-	-
Total expenditures	<u>10,008,206</u>	<u>7,159,302</u>	<u>2,848,904</u>	<u>1,191,948</u>	<u>1,054,638</u>	<u>137,310</u>
Excess of revenues over (under) expenditures	<u>(2,728,890)</u>	<u>117,108</u>	<u>2,845,998</u>	<u>(137,784)</u>	<u>(316)</u>	<u>137,468</u>
Other financing sources (uses):						
Other financing sources	33,371	33,371	-	-	-	-
Other financing (uses)	-	-	-	-	-	-
Operating transfers in	173,055	173,055	-	-	-	-
Operating transfers (out)	<u>(565,611)</u>	<u>(273,055)</u>	<u>292,556</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(359,185)</u>	<u>(66,629)</u>	<u>292,556</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	<u>(3,088,075)</u>	<u>50,479</u>	<u>3,138,554</u>	<u>(137,784)</u>	<u>(316)</u>	<u>137,468</u>
Fund balance, beginning of year	2,976,896	2,976,896		109,756	109,756	
Prior year encumbrances appropriated	<u>111,179</u>	<u>111,179</u>		<u>28,028</u>	<u>28,028</u>	
Fund balance, end of year	\$ <u>-</u>	<u>3,138,554</u>		<u>-</u>	<u>137,468</u>	

The notes to the financial statements are an integral part of this statement.

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)
212,228	212,228	-	-	-	-	1,249,226	1,249,226	-
-	-	-	-	-	-	117,795	117,795	-
-	-	-	-	-	-	251,109	248,203	(2,906)
-	-	-	-	-	-	170,945	170,945	-
24,123	24,123	-	62,252	62,252	-	6,393,683	6,393,841	158
-	-	-	-	-	-	449,325	449,325	-
<u>236,351</u>	<u>236,351</u>	<u>-</u>	<u>62,252</u>	<u>62,252</u>	<u>-</u>	<u>8,632,083</u>	<u>8,629,335</u>	<u>(2,748)</u>
-	-	-	39,274	38,614	660	4,672,979	3,721,796	951,183
-	-	-	-	-	-	1,616,908	1,126,410	490,498
-	-	-	-	-	-	220,339	155,201	65,138
-	-	-	-	-	-	46,306	14,000	32,306
-	-	-	-	-	-	371,447	318,886	52,561
-	-	-	-	-	-	602,174	424,683	177,491
-	-	-	-	-	-	10,621	9,397	1,224
-	-	-	-	-	-	767,317	602,890	164,427
-	-	-	-	-	-	310,217	263,740	46,477
-	-	-	500,000	-	500,000	1,872,922	915,943	956,979
-	-	-	-	-	-	996,220	515,512	480,708
-	-	-	-	-	-	47,367	33,995	13,372
-	-	-	-	-	-	32,238	6,000	26,238
-	-	-	-	-	-	172,373	144,101	28,272
<u>534,269</u>	<u>156,668</u>	<u>377,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,269</u>	<u>156,668</u>	<u>377,601</u>
<u>534,269</u>	<u>156,668</u>	<u>377,601</u>	<u>539,274</u>	<u>38,614</u>	<u>500,660</u>	<u>12,273,697</u>	<u>8,409,222</u>	<u>3,864,475</u>
<u>(297,918)</u>	<u>79,683</u>	<u>377,601</u>	<u>(477,022)</u>	<u>23,638</u>	<u>500,660</u>	<u>(3,641,614)</u>	<u>220,113</u>	<u>3,861,727</u>
-	-	-	-	-	-	33,371	33,371	-
-	-	-	(33,371)	(33,371)	-	(33,371)	(33,371)	-
-	-	-	100,000	100,000	-	273,055	273,055	-
-	-	-	-	-	-	(565,611)	(273,055)	292,556
-	-	-	<u>66,629</u>	<u>66,629</u>	<u>-</u>	<u>(292,556)</u>	<u>-</u>	<u>292,556</u>
(297,918)	79,683	377,601	(410,393)	90,267	500,660	(3,934,170)	220,113	4,154,283
297,918	297,918	-	403,883	403,883	-	3,788,453	3,788,453	-
-	-	-	6,510	6,510	-	145,717	145,717	-
-	<u>377,601</u>	-	<u>-</u>	<u>500,660</u>	-	<u>-</u>	<u>4,154,283</u>	-

FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenses and Changes in Retained Earnings Proprietary Fund Type

Year Ended June 30, 2001

	<u>Enterprise</u>
Operating revenues:	
Sales	\$ <u>169,736</u>
Total operating revenues	<u>169,736</u>
Operating expenses:	
Personnel services	217,543
Contractual services	17,038
Cost of sales	148,600
Depreciation	<u>13,334</u>
Total operating expenses	<u>396,515</u>
Operating loss	(226,779)
Nonoperating revenues:	
Earnings on investments	6,955
Federal and state subsidies	147,406
Federal donated commodities	<u>27,138</u>
Total nonoperating revenues	<u>181,499</u>
Net loss	(45,280)
Retained earnings, beginning of year	<u>301,611</u>
Retained earnings, end of year	\$ <u><u>256,331</u></u>

The notes to the financial statements are an integral part of this statement.

FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT

Combined Statement of Cash Flows - Proprietary Fund Type

Year Ended June 30, 2001

	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from customers	\$ 169,655
Cash payments for personal services	(200,383)
Cash payments for contract services	(17,038)
Cash payments for supplies and materials	(121,026)
Net cash used by operating activities	<u>(168,792)</u>
Cash flows from noncapital financing activities:	
Cash received from grants	<u>147,406</u>
Net cash provided by noncapital financing activities	<u>147,406</u>
Cash flows from investing activities:	
Interest received	<u>6,955</u>
Net cash provided by investing activities	<u>6,955</u>
Net decrease in cash	(14,431)
Cash, beginning of year	<u>152,577</u>
Cash, end of year	<u>138,146</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(226,779)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	13,334
Donated commodities used	27,138
Changes in assets and liabilities:	
Increase in accounts receivable	(81)
Increase in supplies inventory	(626)
Increase in accrued wages and benefits	6,229
Increase in compensated absences payable	8,693
Increase in deferred revenue	1,062
Increase in pension obligation payable	<u>2,238</u>
Net cash used by operating activities	\$ <u>(168,792)</u>

The notes to the financial statements are an integral part of this statement.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Felicity-Franklin Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services to approximately 1,300 students and community members as authorized by state statute and/or federal guidelines. The School District was established in 1930 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 84 square miles, is located in Clermont County, and includes the Villages of Felicity and Chilo, all of Franklin Township and a portion of Washington Township.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Felicity-Franklin Local School District, this includes general operations, food service, and student related activities of the School District.

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

The Felicity-Franklin Parent Teacher Organization and Felicity Music Boosters Association perform activities within the School District boundaries for the benefit of its residents but are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District.

The School District is associated with five organizations, three of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations include Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association, the U.S. Grant Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Clermont County Health Trust. These organizations are presented in Notes 13 and 14 to the general purpose financial statements.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Basis Of Presentation - Fund Accounting

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

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

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

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:

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Proprietary Fund Type:

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

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

Fiduciary Fund Type:

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

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Account Groups:

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

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

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, tuition, student fees, interest, and grants.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2001, and delinquent property taxes, whose availability is indeterminable, and which are intended to finance fiscal year 2002 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 proprietary fund types utilize the accrual basis of accounting for reporting purposes. 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.

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.

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Clermont County Budget Commission for rate determination.

Estimated Resources:

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

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

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 must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriate resolutions, 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 must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances:

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

Lapsing of Appropriations:

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. 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 included approximately \$60,000 assigned from other School District funds.

During fiscal year 2001, investments were limited to U.S. Government Securities, STAR Ohio, and a U.S. Treasury Money Market Fund. Investments are reported at their fair value, which is based on quoted market prices and changes in the fair value are reported in the operating statement.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Fixed Assets and Depreciation

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

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

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

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intergovernmental Revenues

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

Grants and entitlements received in governmental funds amounted to approximately 80% of the School District's governmental fund revenue during the 2001 fiscal year.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 to be set-aside by the School District for the purchase of school buses. A corresponding fund balance reserve has also been established.

Estimates

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

Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property tax advances, and bus purchases. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns on General Purpose Financial Statements

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

2. DEFICIT FUND BALANCES AND COMPLIANCE

At June 30, 2001, the Disadvantaged Pupil Impact Aid and Title VI-R Class-Size Reduction Special Revenue Funds have deficit fund balances of \$18,989 and \$487, 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.

For the fiscal year ended June 30, 2001, budgetary expenditures exceeded appropriations in the School Net Plus Fund by \$4,370 out of total appropriations of \$21,933.

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types is 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

3. BUDGETARY BASIS OF ACCOUNTING

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	\$ 320,844	25,134	90,984	157,894
Revenue Accruals	(100,861)	(5,940)	(11,301)	(53,500)
Expenditure Accruals	55,738	(1,670)	-	465
Encumbrances	(225,242)	(17,840)	-	(14,592)
Budget Basis	<u>\$ 50,479</u>	<u>(316)</u>	<u>79,683</u>	<u>90,267</u>

4. DEPOSITS AND INVESTMENTS

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

4. DEPOSITS AND INVESTMENTS (Continued)

Interim monies are permitted to be deposited or invested in the following securities:

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

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

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

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

4. DEPOSITS AND INVESTMENTS (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the School District's deposits was \$116,895 and the bank balance was \$469,080. Of the bank balance, \$100,000 was covered by federal depository insurance and \$369,080 was uninsured and uncollateralized as defined by GASB Statement 3. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name, and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments that are held by the counter party'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 counter party, or by its trust department or agent but not in the School District's name. The School District's investments in STAROhio and the U.S. Treasury Money Market Fund are unclassified because it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$ 405,383	405,383
Federal Home Loan Mortgage Association	863,621	863,621
Federal National Mortgage Association	175,885	175,885
STAROhio	-	3,000,000
U.S. Treasury Money Market Fund	-	39,699
Totals	\$ <u>1,444,889</u>	<u>4,484,588</u>

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

4. DEPOSITS AND INVESTMENTS (Continued)

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,156,594	1,444,889
Investments:		
U.S. Money Market Fund	(39,699)	39,699
STAROhio	<u>(3,000,000)</u>	<u>3,000,000</u>
GASB Statement No. 3	\$ <u>116,895</u>	<u>4,484,588</u>

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new 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 property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last update was completed for tax year 1998. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

5. PROPERTY TAXES (Continued)

The School District receives property taxes from Clermont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2001. 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, 2001, was \$201,100 in the General Fund, \$4,500 in the Classroom Facilities Maintenance Special Revenue Fund and \$40,700 in the Debt Service Fund. The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 42,555,850	86.54%	\$ 44,531,680	87.05%
Public Utility	5,916,750	12.03%	5,974,280	11.68%
Tangible Personal Property	701,204	1.43%	648,490	1.27%
Total Assessed Value	<u>\$ 49,173,804</u>	<u>100.00%</u>	<u>\$ 51,154,450</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 33.30		\$ 33.30	

6. FIXED ASSETS

A summary of the proprietary funds' fixed assets at June 30, 2001, follows:

	Enterprise
Furniture and Equipment	\$ 283,905
Less Accumulated Depreciation	(119,578)
Net Fixed Assets	<u>\$ 164,327</u>

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

6. FIXED ASSETS (Continued)

A summary of the change in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 7/1/00	Additions	Deletions	Balance at 6/30/01
Land and improvements	\$ 448,350	7,390	-	455,740
Buildings and improvements	10,713,703	4,304	-	10,718,007
Furniture and equipment	2,028,765	27,258	(61,362)	1,994,661
Vehicles	1,008,952	48,940	(36,522)	1,021,370
Textbooks	596,302	-	-	596,302
Total General Fixed Assets	<u>\$14,796,072</u>	<u>87,892</u>	<u>(97,884)</u>	<u>14,786,080</u>

7. RISK MANAGEMENT

The School District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. There was no decline in the level of coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District also participates in the Clermont County Health Trust (Trust), a group insurance purchasing pool (Note 14), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

8. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, currently 14% of annual covered payroll. 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 contributions to SERS for the years ended June 30, 2001, 2000, and 1999 were approximately \$146,000, \$118,000, and \$129,000, respectively; 35% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

State Teachers Retirement System

The Felicity-Franklin Local 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 basis retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issued a publicly available financial report that includes financial statements and required supplementary information for STRS. 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% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2001, 2000, and 1999, were approximately \$518,000, \$482,000, and \$386,000, respectively; 80% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

9. POSTEMPLOYMENT BENEFITS

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

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2001, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. For the School District, this amount was approximately \$295,000 during fiscal year 2001. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3,419 million at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 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% of the premium. For this fiscal year, employer contributions to fund health care benefits were 8.45% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400.

The surcharge rate added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care for the year ended June 30, 2000 were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS' net assets available for payment of health care benefits was \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, was approximately \$85,000 during the 2001 fiscal year.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

10. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal 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 the rate of one and one-fourth days per month and sick leave may be accumulated with no maximum for all personnel. Upon retirement, payment is made for 25% of accrued, but unused sick leave, for the first 300 days and 10% for days in excess of 300.

11. CAPITALIZED LEASES

The School District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. Equipment under capital leases totaled \$38,185 at June 30, 2001. The following is a schedule of future minimum lease payments under capital leases, with the net present value of the minimum lease payments as of June 30, 2001.

	Year Ending June 30	
	<u>2002</u>	\$ 7,509
	2003	<u>5,108</u>
Minimum lease payments		12,617
Less: Amount representing interest		<u>(880)</u>
Present value of minimum lease payments		\$ <u>11,737</u>

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

12. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 7/1/00	Additions	Deductions	Principal Outstanding 6/30/01
1982 School Improvement Bond -13.375%	\$ 30,000	-	10,000	20,000
1986 School Improvement Bond - 8.375%	310,000	-	30,000	280,000
1997 School Improvement Bond - 6.085%	1,325,000	-	5,000	1,320,000
Total General Obligation Bonded Debt	<u>1,665,000</u>	<u>-</u>	<u>45,000</u>	<u>1,620,000</u>
Pension Obligation	51,849	50,784	51,849	50,784
Capital Leases	22,552	-	10,815	11,737
Compensated Absences	<u>275,547</u>	<u>186,514</u>	<u>-</u>	<u>462,061</u>
Total General Long-Term Obligations	<u>\$ 2,014,948</u>	<u>237,298</u>	<u>107,664</u>	<u>2,144,582</u>

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

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

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

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

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

12. LONG-TERM OBLIGATIONS (Continued)

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

On October 7, 1997, the School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the \$7,221,388 classroom facilities loan to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayments for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. Amended Senate Bill 272, effective September 15, 2000, no longer requires School Districts to make payments to the State for any portion of the State's contribution.

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

The School District's voted legal debt margin was \$2,983,901 with an unvoted debt margin of \$51,154 at June 30, 2001.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

12. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt at June 30, 2001 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$ 45,000	103,491	148,491
2003	45,000	99,431	144,431
2004	45,000	95,761	140,761
2005	45,000	92,476	137,476
2006	50,000	89,044	139,044
2007-2011	360,000	379,086	739,086
2012-2016	555,000	240,161	795,161
2017-2019	475,000	46,720	521,720
Total	<u>\$ 1,620,000</u>	<u>1,146,170</u>	<u>2,766,170</u>

13. JOINTLY GOVERNED ORGANIZATIONS

Hamilton/Clermont Cooperative Association

The Hamilton/Clermont Cooperative Association (H/CCA) is a jointly governed organization among a two-county consortium of school districts. H/CCA is an association of public schools in a geographic area determined by the Ohio Department of Education and 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 districts. The Board of H/CCA consists of one representative from each of the participating members. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

The Hamilton Clermont Cooperative Association/Unified Purchasing Association

The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two-county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton/Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

U.S. Grant Joint Vocational School District

The U.S. Grant Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the four participating school district's elected board with an additional representative rotated among the four schools. U.S. Grant possesses its own budgeting and taxing authority and was formed for the purpose of providing vocational education opportunities to the students of the member school districts. The School District has no ongoing financial interest in or responsibility for U.S. Grant. To obtain financial information, write to U.S. Grant at 3046 State Route 125, Bethel, Ohio 45106.

14. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program.

Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The Clermont County Health Trust

The Clermont County Health Trust (the Trust), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

14. INSURANCE PURCHASING POOLS (Continued)

The School District pays premiums to a third party administrator, McElroy Minister, which in turns buys the insurance policies from various insurance companies. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit of its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from the Clermont County Health Trust at P. O. Box 526, Middletown, Ohio 45042.

15. REQUIRED SET-ASIDES

The School District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Prior to the fiscal year ended June 30, 2001, the School District was also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ 29,184	30,462	79,049
Current year set-aside requirement	107,361	106,083	-
Less current year offsets	-	123,581	-
Less qualifying disbursements	154,666	43,825	-
Less disposition of budget reserve	<u>-</u>	<u>-</u>	<u>79,049</u>
Total reserve requirement at June 30, 2001	<u>(18,121)</u>	<u>-</u>	<u>-</u>
Cash balance carried forward to FY 2002	<u>11,062</u>	<u>123,182</u>	<u>-</u>

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

15. REQUIRED SET-ASIDES (Continued)

Expenditures in excess of current year or accumulated set-aside requirements in the textbooks and instructional materials set-aside may be carried forward to offset future years' textbooks and instructional materials set-aside requirements. Although the School District had qualifying disbursements and offset credits during the year that reduced the set-aside amounts to below zero for capital improvements, this extra amount may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the capital improvements set-aside.

Amounts set-aside by the School District in excess of reserve requirements are presented on the balance sheet as designations of fund balances. Actual cash balances in excess of set-aside requirements may be carried forward to offset future years' set-aside requirements.

Senate Bill 345 eliminated the Budget Stabilization Reserve. As of June 30, 2000, the School District had \$79,049 in the Budget Stabilization Reserve. During 2001, the School District transferred \$36,510 from the Budget Stabilization Reserve to the Reserve for School Bus Acquisition. This amount represented Bureau of Workers' Compensation refunds received prior to April 10, 2001. The remaining balance of \$42,539 was returned to unrestricted General Fund monies.

16. CONTINGENCIES

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 are 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, 2001.

Litigation

The School District is not currently party to legal proceedings.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

17. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 4, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001 asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

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

18. SUBSEQUENT EVENT

On July 16, 2001, the School District entered into an agreement with the Ohio School Facilities Commission for renovations/additions to the School District's buildings. The State share of the project is \$13,650,166 and the local share is \$1,371,000. In November of 2001, the School District's electors approved a bond issue to provide for the local share of the project.

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

**Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2001**

19. REPORT REISSUANCE

The accompanying Combined Balance Sheet replaces the Combined Balance Sheet in the District's general-purpose financial statement for the year ended June 30, 2001. The Combined Balance Sheet was revised to correct the ASSETS AND OTHER DEBITS Section.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$28,262	\$0	\$27,137
School Breakfast Program	05-PU-99	10.553	72	0	72	0
	05-PU-00	10.553	2,429	0	2,429	0
	05-PU-01	10.553	20,081	0	20,081	0
			<u>22,582</u>	<u>0</u>	<u>22,582</u>	<u>0</u>
National School Lunch Program	LL-P1-00	10.555	12,148	0	12,148	0
	LL-P4-00	10.555	4,030	0	4,030	0
	LL-P1-01	10.555	74,970	0	74,970	0
	LL-P4-01	10.555	24,467	0	24,467	0
			<u>115,615</u>	<u>0</u>	<u>115,615</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>138,197</u>	<u>28,262</u>	<u>138,197</u>	<u>27,137</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-00	84.027	88,322	0	88,322	0
			<u>88,322</u>	<u>0</u>	<u>88,322</u>	<u>0</u>
Total Special Education Cluster			<u>88,322</u>	<u>0</u>	<u>88,322</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-00	84.010	30,000		59,290	
	C1-S1-01	84.010	271,907	0	247,259	0
			<u>301,907</u>	<u>0</u>	<u>306,549</u>	<u>0</u>
Drug-Free Schools Grant	DR-S1-01	84.186	5,308	0	5,308	0
			<u>5,308</u>	<u>0</u>	<u>5,308</u>	<u>0</u>
Continuous Improvement Grant	G2-S2-00	84.276	14,000	0	14,000	0
			<u>14,000</u>	<u>0</u>	<u>14,000</u>	<u>0</u>
Eisenhower Professional Development Grant	MS-S1-01	84.281	6,947	0	6,947	0
			<u>6,947</u>	<u>0</u>	<u>6,947</u>	<u>0</u>
Innovative Educational Program Strategies	C2-S1-01	84.298	6,335	0	6,335	0
			<u>6,335</u>	<u>0</u>	<u>6,335</u>	<u>0</u>
Class Size Reduction Subsidy	CR-S1-01	84.340	40,506	0	34,573	0
			<u>40,506</u>	<u>0</u>	<u>34,573</u>	<u>0</u>
Total Department of Education			<u>463,325</u>	<u>0</u>	<u>462,034</u>	<u>0</u>
Total Federal Assistance			<u>\$601,522</u>	<u>\$28,262</u>	<u>\$600,231</u>	<u>\$27,137</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had an insignificant amount of food commodities in their inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Cincinnati, Ohio 45202
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of Felicity-Franklin Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 4, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 4, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 4, 2001.

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

This report is intended for the information and use of the audit committee, management, the Board of Education, 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 4, 2001



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

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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**

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

To the Board of Education:

Compliance

We have audited the compliance of Felicity-Franklin Local School District, Clermont County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 4, 2001.

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 4, 2001

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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FELICITY-FRANKLIN LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 31, 2002**