



**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Fairland Local School District
228 Private Drive 10010
Proctorville, Ohio 45669

To the Board of Education:

We have audited the accompanying general purpose financial statements of Fairland Local School District, Lawrence County, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairland Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 1999, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

JIM PETRO
Auditor of State

December 17, 1999

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FAIRLAND LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 As of June 30, 1999

	General Fund	Special Revenue	Debt Service	Capital Projects
Account Description				
Assets and Other Debits:				
Equity in Pooled Cash and Cash Equivalents	2,399,157	196,288	4,390,909	4,673,400
Receivables:				
Taxes	1,872,491	32,830	364,622	0
Accounts	0	892	0	0
Intergovernmental	157	25,000	0	0
Interfund Receivable	35,000	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	11,273	181	0	0
Prepaid Items	80,947	3,723	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	119,977	0	0	0
Fixed Assets				
Fixed Assets	0	0	0	0
Other Debits:				
Amount in Debt Service Fund for Retirement of	0	0	0	0
Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	4,519,002	258,914	4,755,531	4,673,400
Liabilities:				
Accounts Payable	31,609	6,867	0	0
Accrued Wages and Benefits	894,012	117,838	0	0
Compensated Absences Payable	31,742	665	0	0
Interfund Payable	0	0	0	0
Intergovernmental Payable	148,041	10,824	0	0
Deferred Revenue	1,640,630	27,034	323,813	0
Due to Students	0	0	0	0
Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	2,746,034	163,228	323,813	0
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved:				
Reserved for Encumbrances	275,890	27,942	0	98,877
Reserved for Inventory	11,273	181	0	0
Reserved for Tax Advance	207,672	5,192	36,550	0
Reserved for Capital Improvements	17,658	0	0	0
Reserved for Budget Stabilization	102,319	0	0	0
Unreserved:				
Unreserved, Undesignated	1,158,156	62,371	4,395,168	4,574,523
Total Fund Equity and Other Credits	1,772,968	95,686	4,431,718	4,673,400
Total Liabilities, Fund Equity and Other Credits	4,519,002	258,914	4,755,531	4,673,400

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

Enterprise	Agency	General Fixed Asset Account Group	General Long-Term Debt Account Group	Totals (Memorandum)
49,787	9,285	0	0	11,718,826
0	0	0	0	2,269,943
0	0	0	0	892
19,662	0	0	0	44,819
0	0	0	0	35,000
14,829	0	0	0	14,829
240	0	0	0	11,694
3,074	0	0	0	87,744
0	0	0	0	119,977
21,098	0	9,075,183	0	9,096,281
0	0	0	4,431,717	4,431,717
0	0	0	4,681,950	4,681,950
108,690	9,285	9,075,183	9,113,667	32,513,672
0	0	0	0	38,476
26,978	0	0	0	1,038,828
2,440	0	0	565,711	600,558
35,000	0	0	0	35,000
3,911	0	0	82,956	245,732
8,674	0	0	0	2,000,151
0	9,285	0	0	9,285
0	0	0	4,005,000	4,005,000
0	0	0	4,460,000	4,460,000
77,003	9,285	0	9,113,667	12,433,030
0	0	9,075,183	0	9,075,183
202,167	0	0	0	202,167
(170,480)	0	0	0	(170,480)
0	0	0	0	402,709
0	0	0	0	11,454
0	0	0	0	249,414
0	0	0	0	17,658
0	0	0	0	102,319
0	0	0	0	10,190,218
31,687	0	9,075,183	0	20,080,642
108,690	9,285	9,075,183	9,113,667	32,513,672

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FAIRLAND LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Fund Types
 As of June 30, 1999

Account Description	General Fund	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum)
Revenues (Governmental):					
Intergovernmental	6,394,444	961,027	27,949	621,417	8,004,837
Interest	126,656	0	0	51,244	177,900
Tuition and Fees	6,578	0	0	0	6,578
Rent	1,800	0	0	0	1,800
Extracurricular Activities	0	216,240	0	0	216,240
Gifts and Donations	0	9,900	0	0	9,900
Property & Other Local Taxes	1,839,192	33,143	233,332	73,212	2,178,879
Miscellaneous	6,045	892	0	0	6,937
Total Revenues	8,374,715	1,221,202	261,281	745,873	10,603,071
Expenditures:					
Current:					
Instruction:	3,727,708	532,256	0	84,634	4,344,598
Regular	903,787	373,855	0	0	1,277,642
Special	61,580	0	0	0	61,580
Vocational	8,363	0	0	0	8,363
Support Services:					
Pupils	301,022	11,685	0	0	312,707
Instructional Staff	267,573	30,148	0	0	297,721
Board of Education	70,921	0	0	0	70,921
Administration	630,797	156,277	0	0	787,074
Fiscal	328,739	0	0	0	328,739
Operation and Maintenance of Plant	727,399	0	0	2,302	729,701
Pupil Transportation	386,172	0	0	0	386,172
Extracurricular Activities	101,794	78,006	0	0	179,800
Capital Outlay	29,988	0	0	152,807	182,795
Debt Service					
Debt Service - Principal	0	0	50,000	0	50,000
Debt Service - Interest	0	0	30,048	0	30,048
Total Expenditures	7,545,843	1,182,227	80,048	239,743	9,047,861
Excess of Revenues Over (Under) Expenditures	828,872	38,975	181,233	506,130	1,555,210
Other Financing Sources and Uses					
Operating Transfers In	40,000	0	80,048	0	120,048
Proceeds from Sale of Bonds	0	0	4,005,000	0	4,005,000
Proceeds from Sale of Long-Term Notes	0	0	0	4,005,000	4,005,000
Operating Transfers Out	74,858	0	0	50,000	124,858
Total Other Financing Sources (Uses)	(34,858)	0	4,085,048	3,955,000	8,005,190
Excess of Revenues and Other Financing Sources and Uses Over (Under) Expenditures	794,014	38,975	4,266,281	4,461,130	9,560,400
Fund Balance at Beginning of Year	977,216	57,449	165,437	212,270	1,412,372
Fund Balance at End of Year	1,771,230	96,424	4,431,718	4,673,400	10,972,772
Increase in Inventory	1,738	(738)	0	0	1,000
Fund Balance plus Inventory	1,772,968	95,686	4,431,718	4,673,400	10,973,772

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

FAIRLAND LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Fund Types
 As of June 30, 1999

Account Description	General Fund			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues (Governmental):						
Intergovernmental	6,064,202	6,395,787	331,585	895,734	943,324	47,590
Interest	119,068	125,745	6,677	0	0	0
Tuition and Fees	6,237	6,578	341	0	0	0
Rent	1,707	1,800	93	0	0	0
Extracurricular Activities	0	0	0	205,331	216,240	10,909
Gifts and Donations	0	0	0	9,401	9,900	499
Property & Other Local Taxes	1,628,158	1,717,184	89,026	25,967	27,347	1,380
Miscellaneous	5,732	6,045	313	0	0	0
Total Revenues	7,825,104	8,253,139	428,035	1,136,433	1,196,811	60,378
Expenditures:						
Current:						
Instruction:						
Regular	3,926,871	3,821,910	104,961	514,647	514,242	405
Special	912,000	896,983	15,017	361,241	359,533	1,708
Vocational	72,000	71,971	29	0	0	0
Support Services:						
Pupils	6,800	6,530	270	0	0	0
Instructional Staff	300,000	288,932	11,068	12,000	11,685	315
Board of Education	260,000	244,011	15,989	57,147	52,369	4,778
Administration	75,000	71,462	3,538	0	0	0
Fiscal	690,000	653,076	36,924	178,208	171,875	6,333
Operation and Maintenance of Plant	344,050	328,089	15,961	0	0	0
Pupil Transportation	730,000	728,257	1,743	0	0	0
Extracurricular Activities	570,000	564,363	5,637	0	0	0
Capital Outlay	105,982	103,271	2,711	79,333	78,626	707
Debt Service						
Debt Service - Principal	47,680	47,646	34	0	0	0
Debt Service - Interest	0	0	0	0	0	0
Total Expenditures	8,040,383	7,826,501	213,882	1,202,576	1,188,330	14,246
Excess of Revenues Over (Under) Expenditures	(215,279)	426,638	641,917	(66,143)	8,481	74,624
Other Financing Sources and Uses						
Operating Transfers In	37,926	40,000	2,074	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Long-Term Notes	0	0	0	0	0	0
Advances In	23,704	25,000	1,296	0	0	0
Operating Transfers Out	74,858	74,858	0	0	0	0
Advances Out	35,000	35,000	0	0	0	0
Total Other Financing Sources (Uses)	(48,228)	(44,858)	3,370	0	0	0
Excess of Revenues and Other Financing Sources and Uses Over (Under) Expenditures	(263,507)	381,780	645,287	(66,143)	8,481	74,624
Fund Balance at Beginning of Year	1,662,386	1,662,386	0	133,286	133,286	0
Prior Year Encumbrances Appropriated	191,901	191,901	0	20,431	20,431	0
Fund Balances at End of Year	1,590,780	2,236,067	645,287	87,574	162,198	74,624

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

Budget	Debt Service Actual	Variance	Budget	Capital Projects Actual	Variance	Budget	Totals (Memorandum) Actual	Variance
1,906	27,949	26,043	476,343	621,417	145,074	7,438,185	7,988,477	550,292
0	0	0	45,389	51,244	5,855	164,457	176,989	12,532
0	0	0	0	0	0	6,237	6,578	341
0	0	0	0	0	0	1,707	1,800	93
0	0	0	0	0	0	205,331	216,240	10,909
0	0	0	0	0	0	9,401	9,900	499
13,129	192,524	179,395	78,891	89,067	10,176	1,746,145	2,026,122	279,977
0	0	0	0	0	0	5,732	6,045	313
15,035	220,473	205,438	600,623	761,728	161,105	9,577,195	10,432,151	854,956
0	0	0	53,142	100,788	(47,646)	4,494,660	4,436,940	57,720
0	0	0	0	0	0	1,273,241	1,256,516	16,725
0	0	0	0	0	0	72,000	71,971	29
0	0	0	0	0	0	6,800	6,530	270
0	0	0	0	0	0	312,000	300,617	11,383
0	0	0	0	0	0	317,147	296,380	20,767
0	0	0	0	0	0	75,000	71,462	3,538
0	0	0	0	0	0	868,208	824,951	43,257
0	0	0	0	0	0	344,050	328,089	15,961
0	0	0	2,310	2,302	8	732,310	730,559	1,751
0	0	0	0	0	0	570,000	564,363	5,637
0	0	0	0	0	0	185,315	181,897	3,418
0	0	0	211,200	247,032	(35,832)	258,880	294,678	(35,798)
50,000	50,000	0	0	0	0	50,000	50,000	0
30,048	30,048	0	0	0	0	30,048	30,048	0
80,048	80,048	0	266,652	350,122	(83,470)	9,589,659	9,445,001	144,658
(65,013)	140,425	205,438	333,971	411,606	77,635	(12,464)	987,150	999,614
5,459	80,048	74,589	0	0	0	43,385	120,048	76,663
273,127	4,005,000	3,731,873	0	0	0	273,127	4,005,000	3,731,873
0	0	0	3,547,407	4,005,000	457,593	3,547,407	4,005,000	457,593
0	0	0	0	0	0	23,704	25,000	1,296
0	0	0	50,000	50,000	0	124,858	124,858	0
0	0	0	0	0	0	35,000	35,000	0
278,586	4,085,048	3,806,462	3,497,407	3,955,000	457,593	3,727,765	7,995,190	4,267,425
213,573	4,225,473	4,011,900	3,831,378	4,366,606	535,228	3,715,301	8,982,340	5,267,039
165,436	165,436	0	191,414	191,414	0	2,152,522	2,152,522	0
0	0	0	16,503	16,503	0	228,835	228,835	0
379,009	4,390,909	4,011,900	4,039,295	4,574,523	535,228	6,096,658	11,363,697	5,267,039

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FAIRLAND LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenses and Changes in Fund Equity
 Proprietary Fund Type
 As of June 30, 1999

	<u>Proprietary Fund Type Enterprise</u>
Account Description	
Operating Revenues:	
Sales	177,171
Other Revenues	154
Total Operating Revenues	177,325
Operating Expenses:	
Salaries	129,453
Fringe Benefits	58,679
Purchased Services	3,009
Materials and Supplies	119,203
Cost of Sales	87,404
Depreciation	1,572
Total Operating Expenses	399,320
Operating Income (Loss)	(221,995)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	43,668
Interest	21
Federal and State Subsidies	177,400
Total Non-Operating Revenues and Expenses	221,089
Income (Loss) Before Operating Transfers	(906)
Operating Transfers-In	4,810
Net Income (Loss)	3,904
Retained Earnings at Beginning of Year	(174,384)
Retained Earnings at End of Year	(170,480)
Contributed Capital at Beginning of Year	202,167
Contributed Capital at End of Year	202,167
Total Fund Equity at End of Year	31,687

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

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FAIRLAND LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenses and Changes in Fund Equity
 Budget and Actual (Budget Basis)
 Proprietary Fund Type
 As of June 30, 1999

	<u>Enterprise Fund</u>		
	<u>Revised</u>		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Operating Revenues:</u>			
Sales	177,171	177,171	0
Other Revenues	154	154	0
Total Operating Revenues	177,325	177,325	0
<u>Operating Expenses:</u>			
Salaries	136,131	133,981	2,150
Fringe Benefits	60,700	62,039	(1,339)
Purchased Services	4,000	3,257	743
Materials and Supplies	211,292	207,422	3,870
Total Operating Expenses	412,123	406,699	5,424
Operating Income (Loss)	(234,798)	(229,374)	5,424
<u>Non-Operating Revenues and Expenses</u>			
Interest	21	21	0
Federal and State Subsidies	170,074	170,074	0
Advances In	35,000	35,000	0
Advances Out	0	25,000	(25,000)
Total Non-Operating Revenues and Expenses	205,095	180,095	(25,000)
Excess of Rev and Other over Exp and Other	(29,703)	(49,279)	(19,576)
Operating Transfer In	4,810	4,810	0
Excess of Rev Over (Under) Exp, Adv & Transfers	(24,893)	(44,469)	(19,576)
Fund Equity at Beginning of Year	15,409	15,409	0
Prior Year Encumbrances Appropriated	35,353	35,353	0
Fund Equity at End of Year	25,869	6,293	(19,576)

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

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FAIRLAND LOCAL SCHOOL DISTRICT
 Combined Statement of Cash Flows
 Proprietary Fund Type
 As of June 30, 1999

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
Cash Flows from Operating Activities:	177,305
Cash Received from Customers	0
Cash Payments to Suppliers for Goods and Services	(167,187)
Cash Payments to Employees for Services	(133,981)
Cash Payments for Employee Benefits	<u>(62,039)</u>
Net Cash Provided by (Used For) Operating Activities	<u>(185,902)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	170,095
Transfers In	4,810
Advances In	35,000
Advances Out	(25,000)
Cash Flow From Investing Activities	
Interest on Investments	21
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>184,926</u>
Net Increase in Cash and Cash Equivalents	(976)
Cash and Cash Equivalents - July 1, 1998	50,763
Cash and Cash Equivalents - June 30, 1999	49,787

FAIRLAND LOCAL SCHOOL DISTRICT
 Combined Statement of Cash Flows
 Proprietary Fund Type
 As of June 30, 1999
 (Continued)

	<u>Enterprise</u>
Reconciliation of Operating Income (Loss) to Net <u>Cash Provided by (Used for) Operating Activities:</u>	
Operating Income (Loss)	(221,995)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by <u>(Used for) Operating Activities:</u>	
Depreciation	1,572
Interest	(21)
Donated Commodities Used During Year	43,668
Changes in Assets and Liabilities:	
(Increase)/Decrease in Prepaid Items	(107)
(Increase)/Decrease in Inventory Held of Resale	(1,927)
(Increase)/Decrease in Materials and Supplies Inventory	156
Increase/(Decrease) in Accounts Payable	(1,462)
Increase/(Decrease) In Accrued Wages	1,493
Increase/(Decrease) in Compensated Absences Payable	(5,894)
Increase/(Decrease) in Intergovernmental Payable	(3,380)
Increase/(Decrease) in Deferred Revenue	<u>1,995</u>
Total Adjustments	<u>36,093</u>
Net Cash Provided by Operating Activities	<u>(185,902)</u>

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

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Fairland Local School District was formed in 1948 with the consolidation of the Proctorville, Rome Special and Rome Rural school districts.

The Fairland Local School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. The board controls the school district's four instructional/ support facilities staffed by 55 non-certificated, 104 certificated teaching personnel, and 8 administrators, who provide services to approximately 1832 students and other community members.

Reporting Entity

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Fairland Local School District, this included 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 is involved with three organizations which are defined as a joint venture, group purchasing pool or a jointly governed organization. These organizations include South Central Ohio Computer Association, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Lawrence County Joint Vocational School District. These organizations are presented in note 15 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fairland 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.

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

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A. Basis of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are 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:

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 expendable trusts or for 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 debt principal, interest, and related costs.

Capital Projects Fund - 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 or trust funds).

PROPRIETARY FUND TYPES:

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

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

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
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FIDUCIARY FUND TYPES:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust, non-expendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-Expendable trust funds are accounted for in essentially the same manner as proprietary funds, the principal of the trust must be preserved intact. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS:

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds and nonexpendable trust 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 and nonexpendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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

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

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

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

C. Budgetary Process

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

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

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

Tax Budget:

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

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

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
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Estimated Resources:

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

Appropriations:

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

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

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

Encumbrances:

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

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
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D. Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 1999, the School District's investments were limited to overnight repurchase agreements and Star Ohio. During the fiscal year, all investments of the School District had a maturity of three months or less. These investments are stated at cost which approximates market value.

Following Ohio statutes, the Board of Education has by resolution, specified the funds to receive an allocation of interest earnings. (Investment earnings are allocated as authorized by state statute). Interest revenue credited to the general fund during fiscal year 1999 amounted to \$126,656, which includes \$27,588 assigned from other funds.

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

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and 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 three hundred dollars. The School District does not have any infrastructure.

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
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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 and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of 5 to 20 years.

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- Equity Funds
- Bus Purchase Allowance

Special Revenue Funds

- Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development Block Grant
- Education Management Information Systems
- School Conflict Management
- Title VI-B
- Title I
- Title VI
- Tech Equity
- Tech Prep
- E-Rate
- Continuous Improvement

Capital Projects

- School Net Plus

Reimbursable Grants

General Fund

- Driver Education Reimbursement

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

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Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements accounted for seventy-five percent of the School District's operating revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for administrators, certified and classified employees after 15 years of service with the School District.

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

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Under Ohio law, a debt service retirement fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Interfund Transactions

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

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

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved. The reserve for endowments signifies the legal restrictions on the use of principal.

N. Contributed Capital

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

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

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

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O. 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.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Q. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balance/Retained Earnings

At June 30, 1999, the DPIA Special Revenue Fund had a deficit fund balances of \$73,213 which was 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.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
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3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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
Governmental Fund Types

	<u>General</u>	<u>Revenue</u>	<u>Special Service</u>	<u>Debt</u>	<u>Capital Projects</u>
GAAP Basis	\$ 794,014	\$ 38,975	4,266,281	\$4,461,130	
Revenue Accruals	(121,576)	(24,391)	(40,808)	15,856	
Expenditure Accruals	1,298	27,987	-0-	(11,502)	
Advances In	25,000	-0-	-0-	-0-	
Advances Out	(35,000)	-0-	-0-	-0-	
Adjustment for Encumbrances	(281,956)	(34,090)	-0-	(98,878)	
Budget Basis	<u>\$381,780</u>	<u>\$ 8,481</u>	<u>\$4,225,473</u>	<u>\$4,366,606</u>	

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
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Net Income (Loss)/Excess of Revenues
Over Expenses and Operating Transfers
Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	\$ 3,904
Revenue Accruals	(50,994)
Expense Accruals	34,543
Advances In	35,000
Advances Out	(25,000)
Depreciation Expense	1,572
Adjustment for Encumbrances	<u>(43,494)</u>
Budget Basis	<u>(\$44,469)</u>

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

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NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within two years from the date of purchase:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio) and,

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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.

Cash on Hand: 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 (\$85,500) and the bank balance was \$186,414. Of the bank balance:

1. \$186,414 was covered by federal depository insurance; and
2. \$0 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

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

	Category 3	Fair Value
Repurchase Agreements	\$3,334,506	\$3,334,506
Star Ohio		<u>\$8,589,797</u>
Total Investments		<u>\$11,924,303</u>

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:

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
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	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$11,838,803	\$0
Repurchase Agreements	(\$ 3,334,506)	\$3,334,506
Star Ohio	<u>(\$8,589,797)</u>	<u>\$8,589,797</u>
 GASB Statement 3	 <u>(\$ 85,500)</u>	 <u>\$11,924,303</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Real and public utility property taxes are payable annually and 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, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the rates determined in the preceding year.

Tangible personal property used in business (except public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility taxes are payable on the same dates as real property taxes described previously.

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

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The assessed values upon which the fiscal year 1999 taxes were collected are:

	<u>1998 Second-</u>		<u>1999 First-</u>	
	<u>Half Collections</u>		<u>Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 73,672,380	89%	\$ 99,319,170	91%
Public Utility Personal	6,150,400	7%	6,157,980	5%
Tangible Personal Property	<u>2,701,410</u>	<u>4%</u>	<u>2,748,710</u>	<u>3%</u>
Total Assessed Value	<u>\$ 82,524,190</u>	<u>100.00%</u>	<u>\$108,225,860</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$23.50		\$24.02	

The School District receives property taxes from Lawrence 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, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$249,414 and is recognized as revenue. \$207,672 was available to the General Fund, \$36,550 was available to the Bond Retirement Fund and \$5,192 was available to the Classroom Facility Special Revenue Fund. At June 30, 1998, \$90,513 was available to the School District. \$79,763 was available to the general fund and \$10,750 was available to the Permanent Improvement Capital Projects Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

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A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Crude Oil Overcharge, Federal Government	\$ 157
Special Revenue Funds:	
Title I	\$25,000
Enterprise Funds:	
Food Service, National School Lunch Program	<u>\$19,662</u>
 Total Intergovernmental Receivables	 \$ 44,819 <u>=====</u>

NOTE 8 - FIXED ASSETS

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

Furniture and Equipment	\$203,651
Less accumulated depreciation	<u>(182,553)</u>
Net Fixed Assets	<u>\$ 21,098</u>

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

<u>Asset Category</u>	<u>Balance at June 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 1999</u>
Land	\$ 126,752	\$ 0	\$ 0	\$ 126,752
Buildings and Improvements	5,142,795	0	0	5,142,795
Furniture and Fixtures	2,729,527	116,279	58,214	2,746,206
Textbooks	306,715	69,207	102,186	315,122
Vehicles	744,308	0	0	744,308
Const in Progress	0	0	0	0
Totals	<u>\$ 9,050,097</u>	<u>\$ 185,486</u>	<u>\$160,400</u>	<u>\$ 9,075,183</u>

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible.

Professional and general liability is protected by the Nationwide Insurance Company with a \$2,000,000 single occurrence limit and no deductible. Vehicles are covered by Nationwide Insurance Company and hold a \$50 deductible for comprehensive and a \$100 deductible for collision.

Athletic insurance is carried with The Baker Agency for students who may be injured while taking part in a board recognized sports activity.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 of the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The Fairland 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 basic 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 issues 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, OH 43215-3771.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the fiscal years ending June 30, 1999, 1998, and 1997 were \$598,896, \$570,396 and \$554,892 respectively; approximately 83.3 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$101,708 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

B. School Employees Retirement System

The Fairland Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, OH 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ending June 30, 1999, 1998 and 1997 were \$162,774, \$157,902 and \$147,612, respectively; approximately 50 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$81,600 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

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

NOTE 11 - POST-EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$349,632 during fiscal year 1999.

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999 the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount to fund health care benefits, including surcharge, equaled \$72,425 during the 1999 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

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

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 305 days. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 46 days.

Classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may accumulate up to 220 days. Upon retirement, classified employees receive payment for one-fourth of the total sick leave accumulation to a maximum of 40 days.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Coresource Inc., in the amount of \$25,000 for administrators and certificated employees and \$20,000 for classified employees.

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

Dental coverage is provided on a self-insured basis through Coresource Inc. Premiums for this coverage are \$48.87 monthly for family and \$16.42 monthly for single coverage. Employees contribute \$4 for family coverage and \$2 for single coverage.

Health insurance is provided by Central Benefits. Premiums for this coverage are \$673.03 for family coverage and \$247.78 for single coverage. The School District pays 85% of premiums while the employee contributes 15%.

Vision insurance is provided by VisionPlus of America Inc. Premiums for this coverage are \$11.48 monthly for family coverage and 7.95 monthly for single coverage. Employees contribute \$11.53 monthly for family coverage. Employee coverage is 100% board paid.

NOTE 13 - LONG TERM OBLIGATIONS

Long-term obligations of the School District as of June 30, 1999 were as follows:

	Outstanding 6/30/98	Additions	Deletions	Outstanding 6/30/99	
Compensated absences		\$547,549	\$48,828	\$30,666	\$565,711
Intergovernmental Payable	\$ 77,940	\$82,956	\$77,940	\$ 82,956	
Energy Conservation Bonds	\$505,000	0	\$50,000	\$455,000	
OSFC Bonds	\$ 0	\$4,005,000	\$ 0	\$4,005,000	
OSFC Notes	<u>\$ 0</u>	<u>\$4,005,000</u>	<u>\$ 0</u>	<u>\$4,005,000</u>	
Total General Long-Term Obligations	<u>\$1,130,489</u>	<u>\$8,141,784</u>	<u>\$158,606</u>	<u>\$9,113,667</u>	

The energy conservation bonds and OSFC bonds and notes will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. Compensated absences and the early retirement incentive will be paid from the general fund.

The School District's voted legal debt margin was \$9,740,327 with an unvoted debt margin of \$108,226 at June 30, 1999.

Principal and interest requirements to retire general obligation energy conservation bonds outstanding at June 30, 1999, are as follows:

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$55,000	\$27,073	\$82,073
2001	\$60,000	\$23,800	\$83,800
2002	\$60,000	\$20,230	\$80,230
2003	\$65,000	\$16,660	\$81,660
2004	\$70,000	\$12,793	\$82,793
2005-2006	\$145,000	\$13,089	\$158,089
Total	\$455,000	\$113,645	\$568,645

Principal and interest requirements to retire Ohio School Facility Commission (OSFC) general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$100,000	\$192,678	\$292,678
2001	\$110,000	\$189,100	\$299,100
2002	\$110,000	\$185,085	\$295,085
2003	\$115,000	\$180,780	\$295,780
2004	\$120,000	\$176,138	\$296,138
2005-2009	\$675,000	\$799,536	\$1,474,536
2010-2014	\$855,000	\$619,127	\$1,474,127
2015-2019	\$1,110,000	\$348,000	\$1,458,000
2020-2022	\$810,000	\$ 62,250	\$862,250
Total	\$4,005,000	\$2,752,694	\$6,757,694

NOTE 14 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999 consist of the following individual fund receivables and payables:

Fund	Interfund Receivable	Interfund Payable
General	\$35,000	
Enterprise:		
Uniform School Supplies		\$35,000
Totals	\$35,000	\$35,000

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$150,457	\$26,868	\$177,325
Operating expenses before depreciation	364,332	33,416	397,748
Depreciation	1,572	-0-	1,572
Operating Income (Loss)	(215,447)	(6,548)	(221,995)
Donated Commodities	43,668	-0-	43,668
Operating Grants	177,400	-0-	177,400
Interest	21	-0-	21
Net Income (Loss)	5,642	(6,548)	(906)
Fixed Assets Additions	-0-	-0-	-0-
Net Working Capital	2,116	8,472	10,588
Total Assets	65,218	43,472	108,690
Total Equity	23,215	8,472	31,687
Encumbrances at June 30, 1999	\$ 73	\$ 43,420	\$ 43,493

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Lawrence County Joint Vocational School District - The Lawrence County 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 Chesapeake Union Exempted Village School District, two from the Ironton City School District, and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Lawrence County Joint Vocational School District, Joyce Blazer, Treasurer, 11627 State Route 243, Chesapeake, OH 45619.

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Fairland Local School District paid \$7,476 for services provided during fiscal year 1999. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon OH 45661.

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in a group rating plan or workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The WCGRP's business and affairs are conducted by a three member Board of directors consisting of the President-Elect and the Immediate Past President of 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 WCGRP to cover the costs of administering the program.

NOTE 17 - CONTINGENCIES

A. Grants:

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

B. Litigation:

The Fairland Local School District is currently party to pending litigation concerning contractual employee matters. It is not possible at the present time to estimate the ultimate legal and financial liability, if any, of the School District with respect to such lawsuits.

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

NOTE 18 - SCHOOL FOUNDATION MONEY

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$6,293,346 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$515,634 under this program.

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

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

NOTE 19 – SET-ASIDE CALCULATIONS AND FUND RESERVES

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

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside Cash Balance, June 30, 1998	\$0	\$0	\$43,459	\$43,459
Current Year Set-aside Requirement	\$117,718	\$119,145	\$58,860	\$295,723
Current Year Offsets	(\$26,562)	(\$96,495)	\$0	(\$123,057)
Qualifying Disbursements	<u>(\$91,156)</u>	<u>(\$4,992)</u>	<u>\$0</u>	<u>(\$96,148)</u>
Total	<u>\$0</u>	<u>\$17,658</u>	<u>\$102,319</u>	<u>\$119,977</u>
Cash Balance Carried Forward to FY 1999	\$0	\$17,658	\$102,319	\$119,977
	=====	=====	=====	=====

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
BBL Maescher	Fairland High School/ Construction Manager	\$1,429,083
Tanner Stone and Company	Fairland High School/ Professional Design Services	\$1,802,974

Fairland Local School District, Ohio
Notes to the General Purpose Financial Statements
June 30, 1999

NOTE 21 – YEAR 2000

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

The Fairland Local School District has completed an inventory of computer systems and other equipment that may be affected by the Year 2000 issue and that are necessary for conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll software for its payroll and employee benefits. The State is responsible for remediating these systems.

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

Lawrence County levies, collects and distributes taxes on behalf of the District. The County is responsible for remediating the system, and is solely responsible for any costs associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

SCHEDULE OF FEDERAL AWARDS, RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity's 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	\$45,664	\$0	\$45,335
National School Breakfast Program	05PU-99	10.553	31,668	0	31,668	0
National School Lunch Program	04PU-99	10.555	<u>126,969</u>	<u>0</u>	<u>126,969</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			158,637	45,664	158,637	45,335
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Direct Program:</i>						
Telecommunications Act Grant	N/A	84.XXX	16,484	0	0	0
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1S1-98 C1S1-99	84.010	121,198 <u>212,552</u>	0 <u>0</u>	132,733 <u>185,901</u>	0 <u>0</u>
Total Title I			333,750	0	318,634	0
Special Education Grants to States (IDEA Part B)	6BS4-98 6BS4-99	84.027	0 <u>79,992</u>	0 <u>0</u>	23,530 <u>75,009</u>	0 <u>0</u>
Total Special Education Grants			79,992	0	98,539	0
Continuous Improvement Plan	N/A	84.276	5,000	0	0	0
Innovative Educational Program Strategies (ESEA Title VI)	C2S1-98 C2S1-99	84.298	0 <u>6,716</u>	0 <u>0</u>	379 <u>6,501</u>	0 <u>0</u>
Total Title VI			6,716	0	6,880	0
Total U.S. Department of Education			<u>441,942</u>	<u>0</u>	<u>424,053</u>	<u>0</u>
Total Federal Awards, Receipts and Expenditures			<u>\$600,579</u>	<u>\$45,664</u>	<u>\$582,690</u>	<u>\$45,335</u>

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had food commodities valued at \$11,580 in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

Board of Education
Fairland Local School District
Lawrence County
228 Private Drive 10010
Proctorville, Ohio 45669

To The Board of Education:

We have audited the general purpose financial statements of Fairland Local School District, Lawrence County, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated December 17, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 17, 1999.

Fairland Local School District
Lawrence 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 management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

December 17, 1999



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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**

Fairland Local School District
Lawrence County
228 Private Drive 10010
Proctorville, Ohio 45669

To the Board of Education:

Compliance

We have audited the compliance of Fairland Local School District, Lawrence County, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

This report is intended for the information and use of management, Board of Educaiton, 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 17, 1999

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at 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 noncompliance 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 Section .510?	No
(d)(1)(vii)	Major Programs (list):	Educationally Deprived Children - Local Educational Agencies Title I CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

The audit of Fairland Local School District, Lawrence County, for the year ending June 30, 1999, contained no findings, related to the financial statements, required to be reported in accordance with GAGAS.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

The audit of the Fairland Local School District, Lawrence County, for the year ending June 30, 1999 contained no findings or questioned costs for federal awards.



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FAIRLAND LOCAL SCHOOL DISTRICT

LAWRENCE 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 20, 2000**