



**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Fairbanks Local School District
11158 State Route 38
Milford Center, OH 43045

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fairbanks Local School District, Union County, Ohio, (the 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 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 Fairbanks Local School District, Union County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As described in Note 3, the District has implemented Governmental Accounting Standards Board Statement number 32 "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*" as of July 1, 1998.

JIM PETRO
Auditor of State

January 3, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals 1999	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term	(Memorandum Only)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 1,564,416	129,486	1,191	413,145	29,071	0	93,828	0	0	\$ 2,231,137
Restricted Asset: Equity in Pooled Cash &	71,839	0	0	0	0	0	0	0	0	71,839
Taxes Receivables	3,370,067	0	112,695	0	0	0	0	0	0	3,482,762
Interfund Receivables	18,454	0	0	0	0	0	0	0	0	18,454
Intergovernmental Receivables	3,707	20,350	0	0	0	18,454	0	0	0	42,511
Accounts Receivable	3,132	0	0	0	0	0	0	0	0	3,132
Inventory for Resale	0	0	0	0	4,464	0	0	0	0	4,464
Net Property, Plant, and Equipment	0	0	0	0	9,909	0	0	5,182,369	0	5,192,278
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	7,167	7,167
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	1,153,710	1,153,710
Total Assets and Other Debits	\$ 5,031,615	149,836	113,886	413,145	43,444	18,454	93,828	5,182,369	1,160,877	\$ 12,207,454

See Accompanying Notes to the General Purpose Financial Statements.

(continued)

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS, Continued
JUNE 30, 1999

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals
	General	Special	Debt	Capital	Enterprise	Trust and	General	General	1999
		Revenue	Service	Project		Agency	Fixed Assets	Long Term	(Memorandum)
Liabilities:									
Interfund Payables	\$ 0	0	0	0	0	18,454	0	0	\$ 18,454
Intergovernmental Payables	89,067	784	0	0	12,154	1,152	0	75,120	178,277
Accounts Payable	46,178	16,763	0	0	21,968	0	704	0	85,613
Accrued Salaries and Benefits	434,733	7,019	0	0	13,680	5,556	0	0	460,988
Deferred Revenue	2,917,668	0	106,719	0	2,462	0	0	0	3,026,849
Due to Others	0	0	0	0	0	0	29,439	0	29,439
General Obligation Bonds Payable	0	0	0	0	0	0	0	356,000	356,000
General Obligation Notes Payable	0	0	0	0	0	0	0	473,806	473,806
Compensated Absence Payable	31,517	0	0	0	1,829	0	0	255,951	289,297
Total Liabilities	3,519,163	24,566	106,719	0	52,093	25,162	30,143	0	4,918,723
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	0	5,182,369	5,182,369
Retained Earnings	0	0	0	0	(8,649)	(6,708)	0	0	(15,357)
Fund Balances:									
Reserved for Encumbrances	57,028	54,630	0	0	0	0	0	0	111,658
Reserved for Trust Principal	0	0	0	0	0	0	62,969	0	62,969
Reserved for Debt	0	0	1,191	0	0	0	0	0	1,191
Reserved for Budget Stabilization	71,839	0	0	0	0	0	0	0	71,839
Reserved for Future Appropriation	164,024	0	5,976	0	0	0	0	0	170,000
Unreserved Fund Balance	1,219,561	70,640	0	413,145	0	0	716	0	1,704,062
Total Fund Balances	1,512,452	125,270	7,167	413,145	0	0	63,685	0	2,121,719
Total Fund Balances/Retained Earnings and Other Credits	1,512,452	125,270	7,167	413,145	(8,649)	(6,708)	63,685	5,182,369	7,288,731
Total Liabilities, Fund Equity, and Other Credits	\$ 5,031,615	149,836	113,886	413,145	43,444	18,454	93,828	5,182,369	\$ 12,207,454

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum) (Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 3,669,898	0	109,174	0	\$ 3,779,072
Tuition	1,194	0	0	0	1,194
Earnings on Investments	106,562	0	0	0	106,562
Extracurricular Activities	0	56,777	0	0	56,777
Miscellaneous	31,882	53,571	0	0	85,453
Revenue from Intermediate Sources					
Restricted Grants-in-Aid	0	8,682	0	0	8,682
Revenue from State Sources					
Unrestricted Grants-in-Aid	1,903,036	30,022	2	0	1,933,060
Restricted Grants-in-Aid	0	131,419	0	25,124	156,543
Revenue for/on Behalf of District	8,646	0	0	0	8,646
Revenue from Federal Sources					
Restricted Grants-in-Aid	0	96,505	0	0	96,505
Total Revenue	5,721,218	376,976	109,176	25,124	6,232,494
EXPENDITURES:					
Instruction					
Regular Instruction	2,580,863	31,911	0	0	2,612,774
Special Instruction	323,116	50,103	0	0	373,219
Vocational Instruction	0	4,848	0	0	4,848
Supporting Services					
Supporting Services-Pupils	128,352	41,486	0	0	169,838
Supporting Services-Instructional	193,527	39,495	0	0	233,022
Supporting Services-Board of	74,870	0	0	0	74,870
Supporting Services-Administration	737,596	23,928	0	0	761,524
Fiscal Services	196,366	0	2,245	0	198,611
Operation & Maintenance-Plant	497,209	0	0	0	497,209
Supporting Services-Pupil	324,325	1,681	0	0	326,006
Supporting Services-Central	0	12,367	0	0	12,367
Operation of Non-Instructional Services					
Community Services	0	81,847	0	0	81,847
Extracurricular Activities					
Academic & Subject Oriented	0	400	0	0	400
Sports Oriented	88,417	55,401	0	0	143,818
Co-Curricular Activities	5,680	0	0	0	5,680
Debt Service					
Repayment of Debt	0	0	200,877	0	200,877
Total Expenditures	5,150,321	343,467	203,122	0	5,696,910
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	570,897	33,509	(93,946)	25,124	535,584
Other Financing Sources and Uses:					
Other Financing Sources					
Sale & Loss of Assets	8,517	0	0	0	8,517
Proceeds from Sale of Notes	0	0	0	386,070	386,070
Other Financing Uses					
Transfers-out	(108,887)	0	0	0	(108,887)
Net Other Financing Sources and Uses	(100,370)	0	0	386,070	285,700
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure					
Disbursement and Other Uses	470,527	33,509	(93,946)	411,194	821,284
Beginning Fund Balance	1,041,925	91,761	101,113	1,951	1,236,750
Ending Fund Balance	\$ 1,512,452	125,270	7,167	413,145	\$ 2,058,034

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,535,005	3,634,350	99,345	0	0	\$ 0
Tuition	3,000	1,194	(1,806)	0	0	0
Earnings on Investment	92,000	105,828	13,828	0	0	0
Extracurricular Activities	0	0	0	66,000	56,777	(9,223)
Miscellaneous	21,000	14,684	(6,316)	53,750	53,571	(179)
Intermediate Restricted Grants-in-Aid	0	0	0	0	8,682	8,682
State Unrestricted Grants-in-Aid	1,569,498	1,903,036	333,538	30,022	30,022	0
State Restricted Grants-in-Aid	0	0	0	108,719	131,419	22,700
Revenue for/on Behalf of District	7,500	7,846	346	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	121,236	110,427	(10,809)
Total Revenue	5,228,003	5,666,938	438,935	379,727	390,898	11,171
Expenditures:						
Regular Instruction	2,630,797	2,606,359	24,438	61,610	34,676	26,934
Special Instruction	370,179	344,909	25,270	37,415	33,903	3,512
Vocational Instruction	0	0	0	7,303	6,313	990
Support Services-Pupils	134,780	130,019	4,761	60,553	45,918	14,635
Support Services-Instructional Staff	193,138	190,302	2,836	69,169	41,823	27,346
Support Services-Board of Education	76,733	72,891	3,842	0	0	0
Support Services-Administration	738,994	729,375	9,619	38,461	30,069	8,392
Fiscal Services	208,222	200,191	8,031	0	0	0
Operation & Maintenance-Plant	548,569	531,390	17,179	0	0	0
Support Services-Transportation	328,474	328,474	0	3,010	1,681	1,329
Support Services-Central	0	0	0	12,367	12,367	0
Community Services	0	0	0	134,141	134,141	0
Academic & Subject Oriented	0	0	0	400	400	0
Sports Oriented	88,441	88,441	0	68,283	59,391	8,892
Co-Curricular Activities	5,680	5,680	0	0	0	0
Building Improvement	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	5,324,007	5,228,031	95,976	492,712	400,682	92,030
Excess of Revenue Over (Under) Expenditures	(96,004)	438,907	534,911	(112,985)	(9,784)	103,201
Other Financing Sources (Uses):						
Sale & Loss of Assets	5,000	8,517	3,517	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Advances-In	114,676	114,676	0	0	0	0
Refund of Prior Years Expense	1,000	14,836	13,836	100	30	(70)
Transfers-Out	(108,887)	(108,887)	0	0	0	0
Advances-Out	(18,454)	(18,454)	0	(36,581)	(36,581)	0
Refund of Prior Years Receipt	0	0	0	(16,560)	(16,560)	0
Total Other Sources (Uses)	(6,665)	10,688	17,353	(53,041)	(53,111)	(70)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(102,669)	449,595	552,264	(166,026)	(62,895)	103,131
Beginning Fund Balance	1,001,331	1,001,331	0	88,046	88,046	0
Prior Year Carry Over Encumbrances	102,928	102,928	0	36,361	36,361	0
Ending Fund Balance	\$ 1,001,590	1,553,854	552,264	(41,619)	61,512	\$ 103,131

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES - Continued
YEAR ENDED JUNE 30, 1999**

	Debt Service Fund			Capital Service Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$ 115,318	114,898	(420)	0	0	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Intermediate Restricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	16,000	2	(15,998)	0	0	0
State Restricted Grants-in-Aid	0	0	0	0	25,124	25,124
Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	131,318	114,900	(16,418)	0	25,124	25,124
Expenditures:						
Regular Instruction	0	0	0	0	0	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	3,500	2,245	1,255	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Building Improvement	0	0	0	0	0	0
Repayment of Debt	200,877	200,877	0	0	0	0
Total Expenditures	204,377	203,122	1,255	0	0	0
Excess of Revenue Over (Under) Expenditures	(73,059)	(88,222)	(15,163)	0	25,124	25,124
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	386,070	386,070
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expense	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Years Receipt	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	0	386,070	386,070
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(73,059)	(88,222)	(15,163)	0	411,194	411,194
Beginning Fund Balance	89,414	89,414	0	1,951	1,951	0
Prior Year Carry Over Encumbrances	0	0	0	0	0	0
Ending Fund Balance	\$ 16,355	1,192	(15,163)	1,951	413,145	\$ 411,194

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES - Continued
YEAR ENDED JUNE 30, 1999**

	Totals (Memorandum Only)		
	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Taxes	\$ 3,650,323	3,749,248	\$ 98,925
Tuition	3,000	1,194	(1,806)
Earnings on Investment	92,000	105,828	13,828
Extracurricular Activities	66,000	56,777	(9,223)
Miscellaneous	74,750	68,255	(6,495)
Intermediate Restricted Grants-in-Aid	0	8,682	8,682
State Unrestricted Grants-in-Aid	1,615,520	1,933,060	317,540
State Restricted Grants-in-Aid	108,719	156,543	47,824
Revenue for/on Behalf of District	7,500	7,846	346
Federal Restricted Grants-in-Aid	121,236	110,427	(10,809)
Total Revenue	5,739,048	6,197,860	458,812
Expenditures:			
Regular Instruction	2,692,407	2,641,035	51,372
Special Instruction	407,594	378,812	28,782
Vocational Instruction	7,303	6,313	990
Support Services-Pupils	195,333	175,937	19,396
Support Services-Instructional Staff	262,307	232,125	30,182
Support Services-Board of Education	76,733	72,891	3,842
Support Services-Administration	777,455	759,444	18,011
Fiscal Services	211,722	202,436	9,286
Operation & Maintenance-Plant	548,569	531,390	17,179
Support Services-Transportation	331,484	330,155	1,329
Support Services-Central	12,367	12,367	0
Community Services	134,141	134,141	0
Academic & Subject Oriented	400	400	0
Sports Oriented	156,724	147,832	8,892
Co-Curricular Activities	5,680	5,680	0
Building Improvement	0	0	0
Repayment of Debt	200,877	200,877	0
Total Expenditures	6,021,096	5,831,835	189,261
Excess of Revenue Over (Under) Expenditures	(282,048)	366,025	648,073
Other Financing Sources (Uses):			
Sale & Loss of Assets	5,000	8,517	3,517
Proceeds from Sale of Notes	0	386,070	386,070
Advances-In	114,676	114,676	0
Refund of Prior Years Expense	1,100	14,866	13,766
Transfers-Out	(108,887)	(108,887)	0
Advances-Out	(55,035)	(55,035)	0
Refund of Prior Years Receipt	(16,560)	(16,560)	0
Total Other Sources (Uses)	(59,706)	343,647	403,353
Excess of Revenues & Other Financing Sources Over (Under) Expenditures			
and Other Financing Uses	(341,754)	709,672	1,051,426
Beginning Fund Balance	1,180,742	1,180,742	0
Prior Year Carry Over Encumbrances	139,289	139,289	0
Ending Fund Balance	\$ 978,277	2,029,703	\$ 1,051,426

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non- Expendable Trust Fund	
Operating Revenues:				
Tuition	\$ 9,432	0	0	\$ 9,432
Transportation Fees	0	25,869	0	25,869
Food Services	165,031	0	0	165,031
Extracurricular Activities	196	0	0	196
Earnings on Investment	0	0	2,839	2,839
Miscellaneous	560	0	0	560
Classroom Materials and Fees	33,846	0	0	33,846
Total Operating Revenue	<u>209,065</u>	<u>25,869</u>	<u>2,839</u>	<u>237,773</u>
Operating Expenses:				
Personal Services - Salary	82,365	43,302	0	125,667
Employee Benefits	29,270	7,895	0	37,165
Purchased Services	7,101	549	0	7,650
Supplies and Materials	148,070	6,341	0	154,411
Other Expenses	25,049	49	2,833	27,931
Depreciation	2,290	0	0	2,290
Total Operating Expense	<u>294,145</u>	<u>58,136</u>	<u>2,833</u>	<u>355,114</u>
Operating Income (Loss)	(85,080)	(32,267)	6	(117,341)
Non-Operating Revenues:				
State Unrestricted Grants-In-Aid	1,337	0	0	1,337
Federal Unrestricted Grants-In-Aid	21,310	0	0	21,310
Federal Commodities	16,151	0	0	16,151
Total Non-Operating Revenue	<u>38,798</u>	<u>0</u>	<u>0</u>	<u>38,798</u>
Transfers-in:				
Total Transfers	57,358	51,529	0	108,887
Net Income	11,076	19,262	6	30,344
Beginning Retained Earnings/Fund Balance	<u>(19,725)</u>	<u>(25,970)</u>	<u>63,679</u>	<u>17,984</u>
Retained Earnings/Fund Balance at End of Year	<u>\$ (8,649)</u>	<u>(6,708)</u>	<u>63,685</u>	<u>\$ 48,328</u>

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Fund	
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ (85,080)	(32,267)	6	\$ (117,341)
Adjustment to Reconcile Operating Income To Net Cash used in Operating Activities:				
Depreciation	2,290	0	0	2,290
Net (Increases) Decreases in Assets:				
Intergovernmental Receivable	3,419	2,112	0	5,531
Due from Other Funds	0	7,975	0	7,975
Inventory	(3,747)	0	0	(3,747)
Net Increases (Decreases) in Liabilities:				
Interfund Payable	(30,566)	(29,073)	0	(59,639)
Intergovernmental Payable	(400)	(1,284)	0	(1,684)
Accounts Payable	20,742	(255)	0	20,487
Accrued Salaries and Benefits	(101)	763	0	662
Compensated Absences Payable	1,829	0	0	1,829
Deferred Revenue	2,117	0	0	2,117
Net Adjustments	<u>(4,417)</u>	<u>(19,762)</u>	0	<u>(24,179)</u>
Net Cash Used in Operating Activities	(89,497)	(52,029)	6	(141,520)
Cash Flows from Noncapital Financing Activities:				
Grants from State Sources	1,337	0	0	1,337
Grants from Federal Sources	21,310	0	0	21,310
Federal Commodities	16,151	0	0	16,151
Transfers-in	57,358	51,529	0	108,887
Net Cash Provided by Noncapital Financing Activities	<u>96,156</u>	<u>51,529</u>	0	<u>147,685</u>
Cash Flows from Capital Financing Activities:				
Acquisition of Assets	(8,819)	0	0	(8,819)
Net Decrease in Cash & Cash Equivalents	(2,160)	(500)	6	(2,654)
Cash and Cash Equivalents at Beginning of Year	<u>31,231</u>	<u>500</u>	<u>63,679</u>	<u>95,410</u>
Cash and Cash Equivalents at End of Year	<u>\$ 29,071</u>	<u>0</u>	<u>63,685</u>	<u>\$ 92,756</u>

See Accompanying Notes to General Purpose Financial Statements.

Reconciliation of Non-Expendable Trust Funds Cash and Cash Equivalents to Balance Sheet:

All Fiduciary Fund Types	\$93,828
Less: Agency Funds	(30,143)
Cash and Cash Equivalents - Non-Expendable Trust Funds	<u>\$63,685</u>

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fairbanks Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1998, was 924. The District employed 62 certified employees and 43 non-certificated employees. The District co-operates with the Union County Educational Service Center, a separate entity, for curricular services.

The District provides regular, and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

A. Reporting Entity

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

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

The District's reporting entity includes the following:

St John Lutheran School and St. Paul Lutheran School - Within the District's boundaries, St. John Lutheran School and St. Paul Lutheran School operate as private schools. Current State legislation provides funding to the parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity is reflected in special revenue funds of the District.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The 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 District functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. 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 expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund

This fund 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 District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Proprietary Fund Types:

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

Enterprise Funds

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

Internal Service Funds

These funds account for the financing of services provided by one department or agency to other departments or agencies of the District or to other governmental units, on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Nonexpendable Trust Funds

These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds

These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group

This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Account Groups:

General Long-Term Debt Account Group

This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2000 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting" the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is adopted at a regular board meeting later in the year. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the fund level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types; and
- d) 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).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting (Continued)

Encumbrances

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

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments". During the fiscal year all investments were limited to certificates of deposit, STAR Ohio, commercial paper, and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1998-98. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during the fiscal year amounted to \$106,562.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available". "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1999 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

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. Inventories are determined by physical count. The cost of the governmental fund type inventories is recorded as an expenditure when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventories (Continued)

Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale, and are expended when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The District has a capitalization threshold of \$500. The District does not have any infrastructure.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction of general fixed assets is not capitalized.

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

J. Intergovernmental Revenues

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

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

Entitlements:

General Fund

- State Foundation Program
- School Bus Funding
- Homestead and Rollback Tax Subsidy

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

Capital Projects Funds

School Net Plus

Special Revenue Funds

Educational Management Information Systems

Non-Reimbursable Grants:

Special Revenue Funds

Auxiliary Services Grant
School Net Professional Training Grant
Data Communications Grant
Textbook Funding Grant
Career Development Grant
Teacher Development Grant
Title I
Title III
Title VI
Drug Free Schools
Title VI B
Chapter II
Preschool Disabilities Grant

Reimbursable Grants:

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 35% of the District's operating revenue during the 1999 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables". At June 30, 1999, the District had \$18,454 in "Interfund Receivables/Payables".

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 1999 the District had no long-term interfund loans.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with twenty or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available 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 debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. At June 30, 1999, the District had no contributed capital.

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities financed from proprietary fund operations are accounted for in those funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Q. 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.

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

R. Fund Balance Reserves

The District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, trust principal, debt, budget stabilization and future appropriation. The reserve for future appropriation represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for trust principal represents the amount of principal held by the District for a non-expendable trust fund.

S. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

T. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents. In addition, all cash and investments are also considered to be cash equivalents because they are available to the Proprietary Funds on demand.

U. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. 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.

2. BUDGETARY BASIS OF ACCOUNTING

The following table summarizes 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				
	General Fund	Special Revenue	Debt Service	Capital Project
GAAP Basis	\$ 470,527	33,509	(93,946)	411,194
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue	(39,934)	13,922	5,724	0
Due to Expenditures:				
Net Adjustments to Expenditure	(77,710)	(73,775)	0	0
Due to Other Sources/Uses	96,712	(36,551)	0	0
Budget Basis	\$ 449,595	(62,895)	(88,222)	411,194

3. ACCOUNTABILITY AND COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

The District's expenditures exceeded appropriations throughout the fiscal year and at year end in the Internal Service and Agency Funds.

4. FUND DEFICITS

Retained Earnings at June 30, 1999, included the following individual fund deficits:

Enterprise:	Food Service	\$(43,017)
Internal Service:	Special Transportation	\$ (6,708)

The deficits are due to the adjustments for accrued wages and benefits, accounts payable and interfund payables.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 pass book accounts.

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

Monies held by the District which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. CASH AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty five percent of the District's 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits At fiscal year end, the carrying amount of the District's deposits was \$268,950 and the bank balance was \$375,464. Of the bank balance:

1. \$162,969 was covered by Federal Depository Insurance Corporation (FDIC); and
2. \$212,495 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 District to a successful claim by the FDIC.

Investments GASB Statement 3, entitled "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the 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 District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category			Reported Amount	Fair Value
	1	2	3		
STAR Ohio		N/A		<u>\$ 2,034,026</u>	<u>\$ 2,034,026</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 entitled "reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. CASH AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents	Investments
GASB Statement No.9	\$ 2,302,976	\$
Investments:		
STAR Ohio	(2,034,026)	2,034,026
GASB Statement No.3	\$ 268,950	\$ 2,034,026

6. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the 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 for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1993, an update was done in 1997. The next revaluation is scheduled for 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Union County Auditor usually files for an extension in sending out tax bills so payment is then due by February 14th). If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

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 and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually; the first payment is due April 30, with the remainder payable by September 20.

Public utility real and public utility 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. Real property is assessed at 35% of market value and personal property is assessed at 88% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Union County Treasurer collects property tax on behalf of the District. The Union County Auditor remits to the District the taxes collected. Tax settlements are made each February and August for real property and each June and October for personal property

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. PROPERTY TAX (Continued)

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance; \$169,899 at June 30, 1999. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 1999 for operations was \$38.75 per \$1,000 of assessed valuation and 1.25 for bond indebtedness. The assessed values of real and tangible personal property on which the fiscal year 1999 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 8,415,640
Real Property-Residential/Agricultural	93,072,140
Real Property-Public Utilities	28,440
Personal Property-General	11,720,240
Personal Property-Public Utilities	<u>7,071,440</u>
Total Assessed Value	<u><u>\$ 120,307,900</u></u>

7. RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. 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 guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Drivers Education	\$ 900
E Rate	2,807
Special Revenue Fund:	
Title VIB	20,350
Internal Service Fund:	
Transportation Fees	<u>18,454</u>
Grand Total	<u><u>\$ 42,511</u></u>

8. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

Furniture and Equipment	\$ 86,869
Less Accumulated Depreciation	<u>(76,960)</u>
Net Fixed Assets	<u><u>\$ 9,909</u></u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. FIXED ASSETS (Continued)

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$ 33,758	0	0	\$ 33,758
Buildings	3,473,496	0	0	3,473,496
Furniture and Equipment	716,719	81,971	0	798,690
Vehicles	854,652	23,223	1,450	876,425
Total General Fixed Assets	<u>\$ 5,078,625</u>	<u>105,194</u>	<u>1,450</u>	<u>\$ 5,182,369</u>

There was no significant construction in progress at June 30, 1999.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$110,196, \$107,676, and \$104,124, respectively; 43 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$56,358 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.

B. State Teachers Retirement System

The 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, Ohio 43215-3771.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. 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 District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were: \$388,044, \$410,208, \$311,160, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$60,980 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security

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

10. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 3.5 percent. For the District, this amount equaled \$97,011 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 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.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, 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 (the latest information available). SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$53,769 during the 1999 fiscal year.

11. CHANGE IN ACCOUNTING PRINCIPLES

The District has implemented GASB Statement No 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan. On September 1, 1997, the Ohio Public Employees Deferred Compensation Board created a trust for the assets of the plan for which the District has no fiduciary responsibility. Therefore, the balance at June 30, 1998 in the Ohio Public Employees Deferred Compensation Board deferred compensation plan of \$127,983 was shown as a reduction in the deferred compensation agency fund.

12. COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only Administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The administrators are generally granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Vacation time which is unused as of the employee's anniversary date can be carried over to a subsequent year with a maximum of three years accrual (60 days). Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The Classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1-9	10
10-19	15
20-beyond	20

Each employee earns sick leave at the rate of one and one-half days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees is 240 days.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. COMPENSATED ABSENCES (Continued)

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of five consecutive years at the time of retirement. Any certified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of 240 days of all accumulated sick leave credited to that employee up to a maximum of 248 days, and any classified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to a maximum of 230 to 290 days depending upon the number of days worked in a year.

13. RISK MANAGEMENT

A. Property and Liability

The 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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. Other liability insurance includes \$20,000 for employee liability which includes each board member. A separate liability policy is maintained for the Superintendent in the amount of \$20,000 and \$50,000 for the District Treasurer.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$13,377,700 Property insurance also includes \$250,000 additional expense coverage.

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

B. Workers Compensation

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. RISK MANAGEMENT (Continued)

C. Employee Medical Insurance

The District has established limited risk health, dental and life insurance programs for its employees. The District is a member of the Champaign, Delaware, Marion and Union County Insurance Consortium. CORE Source, a third party administrator, services all claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$75,000 and aggregate claims in excess of \$4,292,738.

14. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 1999, is as follows:

	Balance			Balance
	July 1, 1998	Additions	Deletions	June 30, 1999
Intergovernmental Payable	\$ 70,661	75,120	70,661	\$ 75,120
General Obligation Bonds Payable	505,000	0	149,000	356,000
General Obligation Notes Payable	111,187	386,070	23,451	473,806
Compensated Absences Payable	244,706	255,951	244,706	255,951
	<u>\$ 931,554</u>	<u>717,141</u>	<u>487,818</u>	<u>\$ 1,160,877</u>

All general obligation bonds outstanding, issued to provide funds for the acquisition of facilities and equipment, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Notes payable are paid through tax collections.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The source payment is derived from debt tax issue proceeds.

	Interest	Issue	Maturity	Balance	Retired	Balance
	Rate	Date	Date	06/30/98		06/30/99
Asbestos Abatement	0.0	03/16/87	12/31/04	\$ 45,187	(6,951)	\$ 38,236
Energy Conservation	6.5	06/15/92	06/15/02	66,000	(16,500)	49,500
Energy Conservation	4.8	06/01/99	12/01/13	386,070	0	386,070
Addition to Building	5.3	02/01/77	12/01/00	315,000	(105,000)	210,000
Bus Acquisition Bond	5.2	06/01/97	04/15/02	190,000	(44,000)	146,000
Total				<u>\$1,002,257</u>	<u>(172,451)</u>	<u>\$ 829,806</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. NOTES AND LONG-TERM DEBT (Continued)

The annual maturities of the general obligation bonds and notes as of June 30, 1999, and related interest payments are as follows:

	Principal	Interest	Payment
FY2000	\$ 189,522	36,302	\$ 225,824
FY2001	193,452	27,871	221,323
FY2002	91,452	20,604	112,056
FY2003	24,952	15,956	40,908
FY2004	25,952	15,059	41,011
FY2005 and thereafter	304,476	80,783	385,259
	<u>\$ 829,806</u>	<u>196,575</u>	<u>\$ 1,026,381</u>

Debt Limitation:

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt margin is \$120,308. The voted debt limit at June 30, 1999 is \$10,827,711.

15. INTERFUND TRANSACTIONS

At June 30, 1999, the District had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

	Receivables	Payables
General Fund	\$ 18,454	\$ 0
Internal Service Funds	0	18,454
	<u>\$ 18,454</u>	<u>\$ 18,454</u>

16. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council

MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Central Ohio Joint Vocational School District (COJVS)

Is a jointly governed organization of the District. The District's Board of Education appoints one member of the seven member Board of Education of COJVS. However, the financial statements of the COJVS are not included within the District's reporting entity as the District can not impose its will and there is no financial benefit, financial burden relationship or related party transactions between the District and COJVS.

17. SEGMENTS OF ENTERPRISE ACTIVITIES

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and a latchkey program.

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, are as follows:

	Lunchroom Fund	Uniform Supply Fund	F.E.E.D. Program	Total
Operating Revenues	\$ 165,590	34,043	9,432	\$ 209,065
Operating Expenses:				
Depreciation	(2,290)	0	0	(2,290)
Other Expenses	(248,820)	(34,557)	(8,478)	(291,855)
Total Operating Expenses	<u>(251,110)</u>	<u>(34,557)</u>	<u>(8,478)</u>	<u>(294,145)</u>
Operating Loss	(85,520)	(514)	954	(85,080)
Non Operating Revenues and				
State and Federal Grants	22,647	0	0	22,647
Federal Commodities	16,151	0	0	16,151
Transfers-In	57,358	0	0	57,358
Net Income	<u>\$ 10,636</u>	<u>(514)</u>	<u>954</u>	<u>\$ 11,076</u>
Net Working Capital	<u>\$ (44,567)</u>	<u>26,629</u>	<u>1,209</u>	<u>\$ (16,729)</u>
Fixed Asset Additions	<u>\$ 8,819</u>	<u>0</u>	<u>0</u>	<u>\$ 8,819</u>
Total Assets	<u>\$ 14,373</u>	<u>27,457</u>	<u>1,614</u>	<u>\$ 43,444</u>
Total Fund Equity	<u>\$ (36,486)</u>	<u>26,628</u>	<u>1,209</u>	<u>\$ (8,649)</u>

18. CONTINGENCIES

A. Grants

The 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 District at June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

18. CONTINGENCIES (Continued)

2. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 1999.

19. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$1,537,027 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the 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 decision made by the Court of Common Pleas is likely to be appealed.

As of the date of these financial statements, the 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.

20. 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 District's operations.

The District has inventoried computer systems and other equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations. The District has three school buildings with power systems which have extensive efficiency utilization measures within the systems.

As of June 30, 1999, the District was in the validation/testing stage.

Tax collection for the District is handled by Union County. The County is responsible for remediating its system, and is solely responsible for any costs associated with this project.

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

The District utilizes Metropolitan Education Council, an external service organization, for its accounting and financial reporting. Metropolitan Education Council is responsible for remediating these systems.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

20. YEAR 2000 (continued)

Because of the unprecedented nature of the Year 2000 issue, its effects and the success or 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.

To the best of management's knowledge and belief, as of January 3, 2000, the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

21. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 1998	\$ 0	0	28,307	\$ 28,307
Current Year Set-Aside Requirement	87,063	87,063	43,532	217,658
Qualifying Disbursements	(131,317)	(211,480)	0	(342,797)
Total	<u>\$ (44,254)</u>	<u>(124,417)</u>	<u>71,839</u>	<u>\$ (96,832)</u>
Cash Balance Carried Forward to FY2000	<u>\$ 0</u>	<u>0</u>	<u>71,839</u>	
Amount Restricted for Budget Stabilization				<u>\$ 71,839</u>
Total Restricted Assets				<u>\$ 71,839</u>

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



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Fairbanks Local School District
11158 State Route 38
Milford Center, Ohio 43045

To the Board of Education:

We have audited the general purpose financial statements of Fairbanks Local School District, Union County, Ohio (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 3, 2000, wherein we noted that the District changed its method of accounting for deferred compensation plans. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 1999-10680-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 3, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 3, 2000.

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

JIM PETRO
Auditor of State

January 3, 2000

SCHEDULE OF FINDINGS

JUNE 30, 1999

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

1999-10680-001

Expenditures Exceed Appropriations

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The District's expenditures exceeded appropriations as follows:

<u>Date</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
12/31/98	200	\$35,388	\$38,264	(\$2,876)
1/31/99	200	35,388	39,923	(4,535)
3/31/99	014	63,870	90,209	(26,339)

We recommend that the District limit its expenditures to the amounts appropriated.



STATE OF OHIO
OFFICE OF THE AUDITOR

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FAIRBANKS LOCAL SCHOOL DISTRICT

UNION 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
MARCH 7, 2000**