

FAIRFIELD UNION LOCAL SCHOOL DISTRICT

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended June 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Education
Fairfield Union Local School District
7698 Main Street
West Rushville, Ohio 43163

We have reviewed the Independent Auditor's Report of the Fairfield Union Local School District, Fairfield County, prepared by Steen & Co. LLC, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fairfield Union Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 3, 2002

This Page is Intentionally Left Blank.

**Fairfield Union Local School District
General Purpose Financial Statements
Year Ended June 30, 2001**

INTRODUCTORY SECTION

List of Principal Officials ii
Organizational Chart iii

FINANCIAL SECTION

Report of Independent Accountants

General Purpose Financial Statements:

Combined Balance Sheet - All Fund Types and Account Groups1-2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
- All Governmental Fund Types and Similar Fiduciary Funds 3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
- Budget and Actual - All Governmental Fund Types and Similar Fiduciary Funds 4-6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings
- All Proprietary Fund Types7
Combined Statement of Cash Flows - All Proprietary Fund Types8
Notes to the General Purpose Financial Statements 9-36
Schedule of Federal Awards Receipts and Expenditures 37
Notes to the Schedule of Federal Awards Receipts and Expenditures 38
Report on Compliance and on Internal Control Required By
Government Auditing Standards 39-40
Report on Compliance with Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance in Accordance
With OMB Circular A-133 41-42
Schedule of Findings 43
Schedule of Prior Audit Findings 44

This Page is Intentionally Left Blank.

Fairfield Union Local Board of Education

List of Principal Officials

June 30, 2001

| BOARD OF EDUCATION | |
|---------------------------|----------------|
| James Bope | President |
| Darrell Myers | Vice President |
| Jennifer Manywood | Member |
| David Rodenbaugh | Member |
| Ralph Tolbert | Member |

| TREASURER |
|------------------|
| Kevin D. Miller |

| ADMINISTRATION | |
|-----------------------|---|
| Clark Davis | Superintendent |
| Dale Ferbrache | High School/Junior High Principal |
| Mike Myers | Assistant High School/Junior High Principal |
| Gene Scott | Rushville Middle School Principal |
| Rick Burns | Bremen Elementary School Principal |
| Beckey Parrott | Pleasantville Elementary School Principal |
| Mike Destadio | Director of Instruction |

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Fairfield Union Local School District
7698 Main Street
West Rushville, Ohio 43163

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

We conducted our audit in accordance with 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 Fairfield Union Local School District, Fairfield County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by 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.

Steen & Co. LLC

Steen & Co. LLC
November 16, 2001

Steen & Co.

383 NORTH FRONT STREET
COLUMBUS, OHIO 43215

OFFICE: (614) 848-7855

FAX: (614) 888-8634

WEBSITE: WWW.STEENANDCO.COM

**Fairfield Union Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

| | Governmental Fund Types | | | Capital Projects | Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Totals 2001 (Memorandum Only) | |
|--|-------------------------|--------------------|-----------------|---------------------|--------------------------|------------------------|---------------------|-------------------------|--|----------------------|
| | General | Special Revenue | Debt Service | | Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long Term | |
| Assets and Other Debits: | | | | | | | | | | |
| Equity in Pooled Cash and Investments | \$ 1,300,188 | 330,212 | 91,825 | 338,911 | 197,853 | 23,622 | 229,207 | 0 | 0 | \$ 2,511,818 |
| Restricted Assets | 311,602 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 311,602 |
| Cash with Fiscal Agent | 0 | 0 | 0 | 0 | 0 | 142,615 | 0 | 0 | 0 | 142,615 |
| Property Taxes Receivable | 2,603,903 | 0 | 77,902 | 192,083 | 0 | 0 | 0 | 0 | 0 | 2,873,888 |
| Income Tax Receivable | 419,727 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 419,727 |
| Due from Other Funds | 0 | 0 | 0 | 0 | 0 | 0 | 6,008 | 0 | 0 | 6,008 |
| Intergovernmental Receivables | 6,045 | 11,342 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,387 |
| Interfund Receivables | 40,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40,000 |
| Accounts Receivable | 29,969 | 1,860 | 0 | 0 | 0 | 0 | 624 | 0 | 0 | 32,453 |
| Supply Inventory | 77,621 | 0 | 0 | 0 | 3,079 | 0 | 0 | 0 | 0 | 80,700 |
| Inventory for Resale | 0 | 0 | 0 | 0 | 16,320 | 0 | 0 | 0 | 0 | 16,320 |
| Property, Plant & Equipment | 0 | 0 | 0 | 0 | 138,050 | 0 | 0 | 9,791,261 | 0 | 9,929,311 |
| Accumulated Depreciation, Where Applicable | 0 | 0 | 0 | 0 | (66,729) | 0 | 0 | 0 | 0 | (66,729) |
| Amount Available in Debt Service Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 94,402 | 94,402 |
| Amount to be Provided for Retirement of GLTD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,477,296 | 3,477,296 |
| Total Assets and Other Debits | \$ 4,789,055 | 343,414 | 169,727 | 530,994 | 288,573 | 166,237 | 235,839 | 9,791,261 | 3,571,698 | \$ 19,886,798 |

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**Fairfield Union Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2001**

| | Governmental Fund Types | | | | Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Totals 2001 | |
|--|-------------------------|--------------------|-----------------|---------------------|--------------------------|------------------------|---------------------|-------------------------|----------------------|------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Internal Service | Trust and Agency | General Fixed Assets | General Long Term | (Memorandum) (Only) |
| Liabilities: | | | | | | | | | | |
| Due to Other Funds | \$ 5,583 | 255 | 0 | 0 | 170 | 0 | 0 | 0 | 0 | \$ 6,008 |
| Interfund Payables | 0 | 40,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40,000 |
| Intergovernmental Payables | 172,467 | 6,202 | 0 | 0 | 14,599 | 0 | 24,840 | 0 | 95,245 | 313,353 |
| Accounts Payable | 173,593 | 21,032 | 0 | 16,970 | 0 | 4,128 | 2,215 | 0 | 0 | 217,938 |
| Accrued Salaries and Benefits | 1,164,960 | 48,436 | 0 | 0 | 38,087 | 0 | 0 | 0 | 0 | 1,251,483 |
| Deferred Revenue | 2,541,487 | 0 | 75,325 | 187,363 | 6,228 | 0 | 0 | 0 | 0 | 2,810,403 |
| Due to Others | 0 | 0 | 0 | 0 | 0 | 0 | 202,434 | 0 | 0 | 202,434 |
| Claims Payable | 0 | 0 | 0 | 0 | 0 | 43,627 | 0 | 0 | 0 | 43,627 |
| Capital Leases Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 215,955 | 215,955 |
| Notes Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 946,650 | 946,650 |
| Bus Bonds Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 294,000 | 294,000 |
| Bonds Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 985,000 | 985,000 |
| Compensated Absences Payable | 42,062 | 0 | 0 | 0 | 32,356 | 0 | 0 | 0 | 1,034,848 | 1,109,266 |
| Total Liabilities | 4,100,152 | 115,925 | 75,325 | 204,333 | 91,440 | 47,755 | 229,489 | 0 | 3,571,698 | 8,436,117 |
| Fund Equity and Other Credits: | | | | | | | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,791,261 | 0 | 9,791,261 |
| Retained Earnings | 0 | 0 | 0 | 0 | 197,133 | 118,482 | 0 | 0 | 0 | 315,615 |
| Fund Balances: | | | | | | | | | | |
| Reserved for Inventory | 77,621 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 77,621 |
| Reserved for Encumbrances | 156,724 | 9,174 | 0 | 150,443 | 0 | 0 | 0 | 0 | 0 | 316,341 |
| Reserved for Budget Stabilization | 311,602 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 311,602 |
| Reserved for Future Appropriation | 62,417 | 0 | 2,577 | 4,720 | 0 | 0 | 0 | 0 | 0 | 69,714 |
| Unreserved Fund Balance | 80,539 | 218,315 | 91,825 | 171,498 | 0 | 0 | 6,350 | 0 | 0 | 568,527 |
| Total Fund Balances | 688,903 | 227,489 | 94,402 | 326,661 | 0 | 0 | 6,350 | 0 | 0 | 1,343,805 |
| Total Fund Balances/Retained Earnings and Other Credits | 688,903 | 227,489 | 94,402 | 326,661 | 197,133 | 118,482 | 6,350 | 9,791,261 | 0 | 11,450,681 |
| Total Liabilities, Fund Equity, and Other Credits | \$ 4,789,055 | 343,414 | 169,727 | 530,994 | 288,573 | 166,237 | 235,839 | 9,791,261 | 3,571,698 | \$ 19,886,798 |

See Accompanying Notes to the General Purpose Financial Statements.

Fairfield Union Local School District
Combined Statement of Revenues Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Similar Fiduciary Funds
Year Ended June 30, 2001

| | Governmental Fund Types | | | | Fiduciary Fund Types | Totals |
|--|-------------------------|--------------------|-----------------|---------------------|-------------------------|------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | (Memorandum) (Only) |
| REVENUES: | | | | | | |
| Revenue from Local Sources | | | | | | |
| Taxes | \$ 3,554,721 | 0 | 75,717 | 182,101 | 0 | \$ 3,812,539 |
| Tuition | 430,269 | 0 | 0 | 0 | 0 | 430,269 |
| Earnings on Investments | 153,372 | 0 | 0 | 24,976 | 0 | 178,348 |
| Extracurricular Activities | 0 | 151,316 | 0 | 0 | 0 | 151,316 |
| Classroom Materials & Fees | 51,849 | 0 | 0 | 0 | 0 | 51,849 |
| Miscellaneous | 134,608 | 52,027 | 0 | 0 | 1,335 | 187,970 |
| Revenue from State Sources | | | | | | |
| Unrestricted Grants-in-Aid | 6,398,951 | 6,919 | 9,767 | 21,957 | 0 | 6,437,594 |
| Restricted Grants-in-Aid | 47,641 | 129,576 | 0 | 15,000 | 0 | 192,217 |
| Revenue for/on Behalf of District | 850 | 0 | 0 | 0 | 0 | 850 |
| Revenue from Federal Sources | | | | | | |
| Restricted Grants-in-Aid | 0 | 461,581 | 0 | 0 | 0 | 461,581 |
| Total Revenue | 10,772,261 | 801,419 | 85,484 | 244,034 | 1,335 | 11,904,533 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Instruction | | | | | | |
| Regular Instruction | 5,282,805 | 109,957 | 0 | 0 | 160 | 5,392,922 |
| Special Instruction | 957,531 | 280,219 | 0 | 0 | 0 | 1,237,750 |
| Vocational Instruction & Adult | 365,733 | 0 | 0 | 0 | 0 | 365,733 |
| Adult/Continuing | 30,047 | 0 | 0 | 0 | 0 | 30,047 |
| Supporting Service | | | | | | |
| Supporting Services-Pupils | 584,757 | 124,891 | 0 | 0 | 0 | 709,648 |
| Supporting Services-Instructional Staff | 406,353 | 47,628 | 0 | 14,695 | 205 | 468,881 |
| Supporting Services-Board of Education | 21,780 | 0 | 0 | 0 | 0 | 21,780 |
| Supporting Services-Administration | 935,510 | 6,510 | 0 | 0 | 0 | 942,020 |
| Fiscal Services | 288,037 | 0 | 1,456 | 3,653 | 0 | 293,146 |
| Operation & Maintenance-Plant | 912,101 | 1,728 | 0 | 16,960 | 0 | 930,789 |
| Supporting Services-Pupil Transportation | 778,521 | 2,261 | 0 | 0 | 0 | 780,782 |
| Central Services | 79,106 | 29,182 | 0 | 0 | 0 | 108,288 |
| Community Services | 0 | 6,056 | 0 | 0 | 1,000 | 7,056 |
| Extracurricular Activities | | | | | | |
| Academic & Subject Oriented | 26,887 | 11,198 | 0 | 0 | 0 | 38,085 |
| Sports Oriented | 214,866 | 149,356 | 0 | 0 | 0 | 364,222 |
| Co-Curricular Activities | 10,669 | 45,859 | 0 | 0 | 0 | 56,528 |
| Capital Outlay | | | | | | |
| Other Facility Acquisition & Improvement | 44,922 | 0 | 0 | 268,559 | 0 | 313,481 |
| Debt Service | | | | | | |
| Repayment of Debt | 176,719 | 0 | 141,497 | 0 | 0 | 318,216 |
| Total Expenditures | 11,116,344 | 814,845 | 142,953 | 303,867 | 1,365 | 12,379,374 |
| Excess (Deficiency) of Revenues | | | | | | |
| Over (Under) Expenditures | (344,083) | (13,426) | (57,469) | (59,833) | (30) | (474,841) |
| Other Financing Sources and Uses: | | | | | | |
| Other Financing Sources | | | | | | |
| Sale & Loss of Assets | 3,274 | 0 | 0 | 0 | 0 | 3,274 |
| Transfers-In | 0 | 2,671 | 54,289 | 0 | 250 | 57,210 |
| Refund of Prior Years Expenditures | 2,952 | 0 | 0 | 4,874 | 0 | 7,826 |
| Other Financing Uses | | | | | | |
| Transfers Out | (54,289) | (711) | 0 | 0 | 0 | (55,000) |
| Refund of Prior Years Receipts | (79,498) | (321) | 0 | 0 | 0 | (79,819) |
| Net Other Financing Sources and Uses | (127,561) | 1,639 | 54,289 | 4,874 | 250 | (66,509) |
| Excess (Deficiency) of Revenue Receipts | | | | | | |
| and Other Sources Over (Under) Expenditure | | | | | | |
| Disbursement and Other Uses | (471,644) | (11,787) | (3,180) | (54,959) | 220 | (541,350) |
| Increase in Inventory | (14,422) | 0 | 0 | 0 | 0 | (14,422) |
| Beginning Fund Balance | 1,174,969 | 239,276 | 97,582 | 381,620 | 6,130 | 1,899,577 |
| Ending Fund Balance | \$ 688,903 | 227,489 | 94,402 | 326,661 | 6,350 | \$ 1,343,805 |

See Accompanying Notes to the General Purpose Financial Statements.

Fairfield Union Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Funds
Year Ended June 30, 2001

| | General Fund | | | Special Revenue Funds | | |
|---|--------------------|-------------------|----------------------------|-----------------------|-----------------|----------------------------|
| | Revised Budget | Actual | Variance | Revised Budget | Actual | Variance |
| | | | Favorable (Unfavorable) | | | Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 3,602,088 | 3,624,340 | 22,252 | 0 | 0 | \$ 0 |
| Tuition | 424,223 | 424,223 | 0 | 0 | 0 | 0 |
| Earnings on Investment | 146,619 | 151,512 | 4,893 | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 | 146,825 | 149,767 | 2,942 |
| Classroom Materials & Fees | 51,737 | 51,799 | 62 | 0 | 0 | 0 |
| Miscellaneous | 111,876 | 113,360 | 1,484 | 50,451 | 52,792 | 2,341 |
| State Unrestricted Grants-in-Aid | 6,398,951 | 6,398,951 | 0 | 6,919 | 6,919 | 0 |
| State Restricted Grants-in-Aid | 47,641 | 47,641 | 0 | 127,624 | 129,576 | 1,952 |
| State Revenue for/on Behalf of District | 1,350 | 1,350 | 0 | 0 | 0 | 0 |
| Federal Restricted Grants-in-Aid | 0 | 0 | 0 | 446,819 | 452,835 | 6,016 |
| Total Revenue | 10,784,485 | 10,813,176 | 28,691 | 778,638 | 791,889 | 13,251 |
| Expenditures: | | | | | | |
| Regular Instruction | 5,376,325 | 5,115,745 | 260,580 | 140,024 | 116,096 | 23,928 |
| Special Instruction | 1,046,186 | 927,170 | 119,016 | 331,514 | 272,064 | 59,450 |
| Vocational Instruction | 391,785 | 351,295 | 40,490 | 0 | 0 | 0 |
| Other Instruction | 30,610 | 29,094 | 1,516 | 0 | 0 | 0 |
| Support Services-Pupils | 623,297 | 564,379 | 58,918 | 137,199 | 117,796 | 19,403 |
| Support Services-Instructional Staff | 507,712 | 446,378 | 61,334 | 54,084 | 46,877 | 7,207 |
| Support Services-Board of Education | 25,427 | 21,185 | 4,242 | 0 | 0 | 0 |
| Support Services-Administration | 996,147 | 956,567 | 39,580 | 12,089 | 6,568 | 5,521 |
| Fiscal Services | 299,708 | 290,575 | 9,133 | 175 | 0 | 175 |
| Operation & Maintenance-Plant | 991,093 | 936,059 | 55,034 | 2,093 | 1,728 | 365 |
| Support Services-Transportation | 916,098 | 832,625 | 83,473 | 2,215 | 2,201 | 14 |
| Central Service | 125,887 | 106,837 | 19,050 | 31,706 | 29,363 | 2,343 |
| Community Services | 0 | 0 | 0 | 14,454 | 12,959 | 1,495 |
| Academic & Subject Oriented | 43,962 | 26,945 | 17,017 | 11,394 | 11,198 | 196 |
| Sports Oriented | 238,435 | 216,999 | 21,436 | 221,350 | 153,473 | 67,877 |
| Co-Curricular Activities | 10,843 | 10,665 | 178 | 104,619 | 46,455 | 58,164 |
| Other Facilities, Acq. & Construction | 44,922 | 44,922 | 0 | 0 | 0 | 0 |
| Repayment of Debt | 176,720 | 176,719 | 1 | 0 | 0 | 0 |
| Total Expenditures | 11,845,157 | 11,054,159 | 790,998 | 1,062,916 | 816,778 | 246,138 |
| Excess of Revenue Over | | | | | | |
| (Under) Expenditures | (1,060,672) | (240,983) | 819,689 | (284,278) | (24,889) | 259,389 |
| Other Financing Sources (Uses): | | | | | | |
| Sale & Loss of Assets | 3,274 | 3,274 | 0 | 0 | 0 | 0 |
| Transfers In | 0 | 0 | 0 | 2,671 | 2,671 | 0 |
| Advances-In | 0 | 0 | 0 | 40,000 | 40,000 | 0 |
| Other Sources | 2,892 | 2,892 | 0 | 0 | 0 | 0 |
| Transfers-Out | (54,289) | (54,289) | 0 | (1,211) | (711) | 500 |
| Advances-Out | (40,000) | (40,000) | 0 | 0 | 0 | 0 |
| Other Uses | (97,698) | (97,309) | 389 | (321) | (321) | 0 |
| Total Other Sources (Uses) | (185,821) | (185,432) | 389 | 41,139 | 41,639 | 500 |
| Excess of Revenues & Other Financing | | | | | | |
| Sources Over (Under) Expenditures | | | | | | |
| and Other Financing Uses | (1,246,493) | (426,415) | 820,078 | (243,139) | 16,750 | 259,889 |
| Beginning Fund Balance | 1,678,717 | 1,678,717 | 0 | 264,563 | 264,563 | 0 |
| Prior Year Carry Over Encumbrances | 128,304 | 128,304 | 0 | 27,202 | 27,202 | 0 |
| Ending Fund Balance | \$ 560,528 | 1,380,606 | 820,078 | 48,626 | 308,515 | \$ 259,889 |

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Fairfield Union Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Funds
Year Ended June 30, 2001
(continued)

| | Debt Service Fund | | | Capital Projects Funds | | |
|---|-------------------|----------------|----------------------------|------------------------|----------------|----------------------------|
| | Revised | Actual | Variance | Revised | Actual | Variance |
| | Budget | | Favorable (Unfavorable) | Budget | | Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 76,532 | 77,410 | 878 | 186,815 | 188,893 | \$ 2,078 |
| Tuition | 0 | 0 | 0 | 0 | 0 | 0 |
| Earnings on Investment | 0 | 0 | 0 | 23,952 | 24,976 | 1,024 |
| Extracurricular Activities | 0 | 0 | 0 | 0 | 0 | 0 |
| Classroom Materials & Fees | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 | 0 |
| State U nrestricted Grants-in-Aid | 9,767 | 9,767 | 0 | 21,957 | 21,957 | 0 |
| State R estricted Grants-in-A id | 0 | 0 | 0 | 15,000 | 15,000 | 0 |
| State Revenue for/on Behalf of District | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Res tricted Grant-in-A id | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 86,299 | 87,177 | 878 | 247,724 | 250,826 | 3,102 |
| 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 |
| Other Instruction | 0 | 0 | 0 | 0 | 0 | 0 |
| Supp ort Services-Pupils | 0 | 0 | 0 | 0 | 0 | 0 |
| Suppo rt Services-Instructional Staff | 0 | 0 | 0 | 84,811 | 83,694 | 1,117 |
| Support Services-Board of Education | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Administration | 0 | 0 | 0 | 0 | 0 | 0 |
| Fiscal Services | 2,200 | 1,456 | 744 | 4,500 | 3,653 | 847 |
| Operation & Maintenance-Plant | 0 | 0 | 0 | 27,016 | 22,676 | 4,340 |
| Support Services-Transportation | 0 | 0 | 0 | 0 | 0 | 0 |
| Central Service | 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 |
| Other Facilities, Acq. & Construction | 0 | 0 | 0 | 438,226 | 414,836 | 23,390 |
| Repayment of Debt | 155,497 | 141,497 | 14,000 | 0 | 0 | 0 |
| Total Expenditures | 157,697 | 142,953 | 14,744 | 554,553 | 524,859 | 29,694 |
| Excess of Revenue Over (Under) Expenditures | (71,398) | (55,776) | 15,622 | (306,829) | (274,033) | 32,796 |
| Other Financing Sources (U ses): | | | | | | |
| Sale & Loss of A ssets | 0 | 0 | 0 | 0 | 0 | 0 |
| Tran sfers In | 54,289 | 54,289 | 0 | 0 | 0 | 0 |
| Advances-In | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Sources | 0 | 0 | 0 | 43,668 | 43,668 | 0 |
| Transfers-Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Advances-Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Uses. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Sources (Uses) | 54,289 | 54,289 | 0 | 43,668 | 43,668 | 0 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (17,109) | (1,487) | 15,622 | (263,161) | (230,365) | 32,796 |
| Beginning Fund Balance | 93,312 | 93,312 | 0 | 304,035 | 304,035 | 0 |
| Prior Year Carry Over Encumbrances | 0 | 0 | 0 | 97,213 | 97,213 | 0 |
| Ending Fund Balance | \$ 76,203 | 91,825 | 15,622 | 138,087 | 170,883 | \$ 32,796 |

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Fairfield Union Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Funds
Year Ended June 30, 2001
(continued)

| | Expendable Trust Fund | | | Totals (Memorandum Only) | | |
|--|-----------------------|--------------|----------------------------|--------------------------|-------------------|----------------------------|
| | Revised | Actual | Variance | Revised | Actual | Variance |
| | Budget | | Favorable (Unfavorable) | Budget | | Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 0 | 0 | 0 | 3,865,435 | 3,890,643 | \$ 25,208 |
| Tuition | 0 | 0 | 0 | 424,223 | 424,223 | 0 |
| Earnings on Investment | 0 | 0 | 0 | 170,571 | 176,488 | 5,917 |
| Extracurricular Activities | 0 | 0 | 0 | 146,825 | 149,767 | 2,942 |
| Classroom Materials & Fees | 0 | 0 | 0 | 51,737 | 51,799 | 62 |
| Miscellaneous | 1,335 | 1,335 | 0 | 163,662 | 167,487 | 3,825 |
| State Unrestricted Grants-in-Aid | 0 | 0 | 0 | 6,437,594 | 6,437,594 | 0 |
| State Restricted Grants-in-Aid | 0 | 0 | 0 | 190,265 | 192,217 | 1,952 |
| State Revenue for/on Behalf of District | 0 | 0 | 0 | 1,350 | 1,350 | 0 |
| Federal Restricted Grants-in-Aid | 0 | 0 | 0 | 446,819 | 452,835 | 6,016 |
| Total Revenue | 1,335 | 1,335 | 0 | 11,898,481 | 11,944,403 | 45,922 |
| Expenditures: | | | | | | |
| Regular Instruction | 1,578 | 160 | 1,418 | 5,517,927 | 5,232,001 | 285,926 |
| Special Instruction | 0 | 0 | 0 | 1,377,700 | 1,199,234 | 178,466 |
| Vocational Instruction | 0 | 0 | 0 | 391,785 | 351,295 | 40,490 |
| Other Instruction | 0 | 0 | 0 | 30,610 | 29,094 | 1,516 |
| Support Services-Pupils | 175 | 0 | 175 | 760,671 | 682,175 | 78,496 |
| Support Services-Instructional Staff | 504 | 297 | 207 | 647,111 | 577,246 | 69,865 |
| Support Services-Board of Education | 0 | 0 | 0 | 25,427 | 21,185 | 4,242 |
| Support Services-Administration | 0 | 0 | 0 | 1,008,236 | 963,135 | 45,101 |
| Fiscal Services | 0 | 0 | 0 | 306,583 | 295,684 | 10,899 |
| Operation & Maintenance-Plant | 4,525 | 0 | 4,525 | 1,024,727 | 960,463 | 64,264 |
| Support Services-Transportation | 0 | 0 | 0 | 918,313 | 834,826 | 83,487 |
| Central Service | 0 | 0 | 0 | 157,593 | 136,200 | 21,393 |
| Community Service | 1,000 | 1,000 | 0 | 15,454 | 13,959 | 1,495 |
| Academic & Subject Oriented | 0 | 0 | 0 | 55,356 | 38,143 | 17,213 |
| Sports Oriented | 0 | 0 | 0 | 459,785 | 370,472 | 89,313 |
| Co-Curricular Activities | 0 | 0 | 0 | 115,462 | 57,120 | 58,342 |
| Other Facilities, Acq. & Construction | 0 | 0 | 0 | 483,148 | 459,758 | 23,390 |
| Repayment of Debt | 0 | 0 | 0 | 332,217 | 318,216 | 14,001 |
| Total Expenditures | 7,782 | 1,457 | 6,325 | 13,628,105 | 12,540,206 | 1,087,899 |
| Excess of Revenue Over (Under) Expenditures | (6,447) | (122) | 6,325 | (1,729,624) | (595,803) | 1,133,821 |
| Other Financing Sources (Uses): | | | | | | |
| Sale & Loss of Assets | 0 | 0 | 0 | 3,274 | 3,274 | 0 |
| Transfers-In | 250 | 250 | 0 | 57,210 | 57,210 | 0 |
| Refund of Prior year | 0 | 0 | 0 | 40,000 | 40,000 | 0 |
| Other Sources | 0 | 0 | 0 | 46,560 | 46,560 | 0 |
| Transfers-Out | 0 | 0 | 0 | (55,500) | (55,000) | 500 |
| Advances-Out | 0 | 0 | 0 | (40,000) | (40,000) | 0 |
| Other Uses | 0 | 0 | 0 | (98,019) | (97,630) | 389 |
| Total Other Sources (Uses) | 250 | 250 | 0 | (46,475) | (45,586) | 889 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (6,197) | 128 | 6,325 | (1,776,099) | (641,389) | 1,134,710 |
| Beginning Fund Balance | 6,131 | 6,131 | 0 | 2,346,758 | 2,346,758 | 0 |
| Prior Year Carry Over Encumbrances | 65 | 65 | 0 | 252,784 | 252,784 | 0 |
| Ending Fund Balance | \$ (1) | 6,324 | 6,325 | 823,443 | 1,958,153 | \$ 1,134,710 |

See Accompanying Notes to the General Purpose Financial Statements.

Fairfield Union Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 2001

| | Proprietary Fund Types | | |
|------------------------------------|------------------------|------------------------------|----------------------------------|
| | Enterprise Funds | Internal Service Funds | Totals (Memorandum) (Only) |
| Operating Revenues: | | | |
| Food Service | \$ 351,354 | 0 | \$ 351,354 |
| Extracurricular Activities | 0 | 4,160 | 4,160 |
| Charges for Services | 0 | 1,135,109 | 1,135,109 |
| Total Operating Revenue | <u>351,354</u> | <u>1,139,269</u> | <u>1,490,623</u> |
| Operating Expenses: | | | |
| Personal Services - Salary | 215,519 | 76 | 215,595 |
| Employee Benefits | 85,390 | 0 | 85,390 |
| Purchased Services | 8,656 | 4,344 | 13,000 |
| Supplies and Materials | 190,867 | 0 | 190,867 |
| Contractual Services | 0 | 1,053,932 | 1,053,932 |
| Depreciation | 2,500 | 0 | 2,500 |
| Total Operating Expenses | <u>502,932</u> | <u>1,058,352</u> | <u>1,561,284</u> |
| Operating Income (Loss) | (151,578) | 80,917 | (70,661) |
| Non-Operating Revenues: | | | |
| State Restricted Grants-In-Aid | 4,648 | 0 | 4,648 |
| Earnings on Investment | 10,987 | 258 | 11,245 |
| Federal Restricted Grants-in-Aid | 33,007 | 0 | 33,007 |
| Federal Unrestricted Grants-In-Aid | 94,953 | 0 | 94,953 |
| Total Non-Operating Revenues | <u>143,595</u> | <u>258</u> | <u>143,853</u> |
| Non-Operating Expenses: | | | |
| Loss on Disposal of Assets | <u>(1,634)</u> | 0 | <u>(1,634)</u> |
| Total Non-Operating Expenses: | (1,634) | 0 | (1,634) |
| Transfers-out | <u>0</u> | <u>(4,084)</u> | <u>(4,084)</u> |
| Net Income/Loss | (9,617) | 77,091 | 67,474 |
| Beginning Retained Earnings | <u>206,750</u> | <u>41,391</u> | <u>248,141</u> |
| Retained Earnings at End of Year | <u>\$ 197,133</u> | <u>118,482</u> | <u>\$ 315,615</u> |

See Accompanying Notes to the General Purpose Financial Statements.

**Fairfield Union Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 Year Ended June 30, 2001**

| | Proprietary Fund Types | | |
|---|------------------------|------------------------------|----------------------------------|
| | Enterprise Funds | Internal Service Funds | Totals (Memorandum (Only)) |
| Cash Flows from Operating Activities | | | |
| Operating Income (Loss) | \$ (151,578) | 80,917 | \$ (70,661) |
| Adjustments to Reconcile Operating Loss | | | |
| To Net Cash used in Operating Activities: | | | |
| Depreciation | 2,500 | 0 | 2,500 |
| Net (Increase) Decrease in Assets: | | | |
| Intergovernmental Receivable | 12,982 | 0 | 12,982 |
| Inventory | 6,481 | 0 | 6,481 |
| Net Increases (Decreases) in Liabilities: | | | |
| Due to Other Funds | 45 | 0 | 45 |
| Accounts Payable | 0 | 344 | 344 |
| Intergovernmental Payable | 9,500 | 0 | 9,500 |
| Deferred Revenue | (3,750) | 0 | (3,750) |
| Claims Payable | 0 | (12,734) | (12,734) |
| Accrued Wages and Benefits | 6,934 | 0 | 6,934 |
| Compensated Absences | 10,664 | 0 | 10,664 |
| Total Adjustments | <u>45,356</u> | <u>(12,390)</u> | <u>32,966</u> |
| Net Cash Used in Operating Activities | (106,222) | 68,527 | (37,695) |
| Cash Flows from Noncapital Activities: | | | |
| Earnings on Investment | 10,987 | 258 | 11,245 |
| Transfers-Out | 0 | (4,084) | (4,084) |
| Grants from State Sources | 4,648 | 0 | 4,648 |
| Grants from Federal Sources | 94,953 | 0 | 94,953 |
| Federal Commodities | <u>33,007</u> | <u>0</u> | <u>33,007</u> |
| Net Cash Provided from Noncapital Financing Sources | 143,595 | (3,826) | 139,769 |
| Cash Flows from Capital Financing Activities: | | | |
| Acquisition of Capital Assets | <u>(210)</u> | <u>0</u> | <u>(210)</u> |
| Net Cash Provided from Capital Financing Activities | (210) | 0 | (210) |
| Net Increase (Decrease) in Cash & Cash Equivalents | 37,163 | 64,701 | 101,864 |
| Cash and Cash Equivalents at Beginning of Year | <u>160,690</u> | <u>101,536</u> | <u>262,226</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 197,853</u> | <u>166,237</u> | <u>\$ 364,090</u> |

See Accompanying Notes to the General Purpose Financial Statements.

This page intentionally left blank

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies

The financial statements of the Fairfield Union 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.

A. Reporting Entity

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 3311.03 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, 2000, was 1,913. The District employed 124 certified employees and 70 non-certificated employees. The District is supervised by the Fairfield County Educational Service Center, a separate entity.

The District is a result of consolidation in the early 1960's of the Rushville, Bremen and Pleasantville School Districts. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of a reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, 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).

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (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 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:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental 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.

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 Fund Types and Expendable Trust

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

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:

Note 1. Summary of Significant Accounting Policies (continued)

- 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.
 - 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, 2001 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 2001 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.

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 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

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.

Note 1. Summary of Significant Accounting Policies (continued)

- 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 three month temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object 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 and Similar Fiduciary Funds" in accordance with the budget basis of accounting.

The major differences between the budget 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 as note disclosures in the proprietary fund types (GAAP basis); 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).

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

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

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 treasury and agency bonds and notes, the State Treasury Asset Reserve of Ohio (STAR Ohio) and a money market account.

Note 1. Summary of Significant Accounting Policies (continued)

Investments are reported at cost except for investments in STAR Ohio which is reported at fair value. Fair value is based on quoted market prices.

The District has invested funds in the STAR Ohio during 2001. 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, 2001.

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, Capital Projects, Enterprise, and Internal Service Funds during the fiscal year was \$189,593.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2001. 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, 2001 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. Inventory in governmental funds consists of expendable supplies held for consumption. 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. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

H. Prepaid Items

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

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 (\$250 threshold). Fixed assets utilized in the proprietary funds are capitalized in the respective fund. The threshold does not apply to the proprietary funds assets. 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 does not capitalize 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 (five to twenty years for machinery, equipment and vehicles) of the related fixed assets, as applicable. 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) of the assets.

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
- Homestead & Rollback Tax Subsidy
- School Bus Funding

Special Revenue Funds

- Educational Management Information Systems
- DPIA

Capital Project Funds

- School Net Grants
- School Net Plus Grant
- Technology Equity Grant
- Emergency School Repair Grant

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

Non-Reimbursable Grants:

Special Revenue Funds

- Auxiliary Services
- Professional Development
- Title I
- Title VI
- Title VI-B
- Title VI-R
- Drug Free Schools Grant
- Goals 2000 Grant
- Continuous Improvement Grant
- Ohio Reads

Reimbursable Grants:

General Fund

- Driver Education Reimbursement
- Tutor Reimbursement
- Vocational Education Reimbursement

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 59.6% of the District's operating revenue during the 2001 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, 2001, the District had \$6,008 in "Due to/Due from Other Funds" and \$40,000 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, 2001 the District had no long-term interfund loans.

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 sick leave

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

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

Note 1. Summary of Significant Accounting Policies (continued)

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 five 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; and 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. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. The District currently has 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 expected to be financed from proprietary fund operations are accounted for in those funds.

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

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.

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve.. A fund balance reserve has also been established.

R. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, encumbrances, budget stabilization and future appropriation.

The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

S. 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.

T. 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.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 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 and Similar Fiduciary Funds | | | | | |
|--|-------------------------|--------------------|-----------------|--------------------|---------------------|
| | Governmental Fund Types | | | | Expendable Trust |
| | General Fund | Special Revenue | Debt Service | Capital Project | |
| GAAP Basis | \$ (471,644) | (11,787) | (3,180) | (54,959) | \$ 220 |
| Increase (Decrease): | | | | | |
| Due to Revenues: | | | | | |
| Net Adjustments to Revenue Accruals | 40,915 | (9,530) | 1,693 | 6,792 | 0 |
| Due to Expenditures: | | | | | |
| Net Adjustments to Expenditure Accruals | 62,185 | (1,933) | 0 | (220,992) | (92) |
| Due to Other Sources/Uses | (57,871) | 40,000 | 0 | 38,794 | 0 |
| Budget Basis | \$ (426,415) | 16,750 | (1,487) | (230,365) | \$ 128 |

Note 3. 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 the Board of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the 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.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 3. Cash and Investments (continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by 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. Bond 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
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

Deposits: At year end, the carrying amount of the District's deposits was \$25,217 and the bank balance was \$33,600. The bank balance was covered by Federal Depository Insurance.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at 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. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 3. Cash and Investments (continued)

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.

| | Category | | | Reported | Fair |
|--------------------------|----------|------------|--------------|--------------------|--------------------|
| | 1 | 2 | 3 | Amount | Value |
| Certificate of Deposit | - | \$ 200,000 | - | \$200,000 | \$200,000 |
| Money Market Account | - | - | \$ 1,260,495 | 1,260,495 | 1,260,495 |
| Treasury Bonds and Notes | - | - | \$ 801,139 | 801,139 | 801,139 |
| STAR Ohio | - | N/A | - | 536,569 | 536,569 |
| Total Investments | | | | <u>\$2,798,203</u> | <u>\$2,798,203</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, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

| | Cash and Cash Equivalents Deposits | Investments |
|--------------------------|--|---------------------|
| GASB Statement No. 9 | \$ 2,966,035 | \$ 0 |
| Investments: | | |
| Certificate of Deposit | (200,000) | 200,000 |
| Money Market Account | (1,260,495) | 1,260,495 |
| Treasury Bonds and Notes | (801,139) | 801,139 |
| STAR Ohio | (536,569) | 536,569 |
| Cash with Fiscal Agent | (142,615) | 142,615 |
| GASB Statement No. 3 | <u>\$ 25,217</u> | <u>\$ 2,798,203</u> |

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 4. Property and School Income Tax

School Income Tax

The District currently benefits from a .75% income tax, which is assessed on all residents of the District. The District apportions all the proceeds to the general fund.

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 are established by the Fairfield County Auditor 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 1995, an update was done in 1998. The next revaluation is scheduled for 2001. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, 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. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

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 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

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. 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, 2001 for operations was \$45.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 4. Property and School Income Tax (continued)

| | |
|--|-----------------------|
| Real Property-Residential/Agricultural | \$ 105,173,090 |
| Real Property-Public Utility | 79,390 |
| Real Property-Commercial/Industrial | 5,529,140 |
| Real Property-Minerals | 644,330 |
| Personal Property-General | 3,611,389 |
| Personal Property-Public Utility | <u>11,511,030</u> |
| Total Assessed Value | <u>\$ 126,548,369</u> |

Note 5. Receivables

Receivables at June 30, 2001 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: | |
| Tuition | \$ 6,045 |
| Special Revenue Funds: | |
| PRCDA Grant | <u>11,342</u> |
| Total Intergovernmental Receivables: | <u>\$ 17,387</u> |

Note 6. Interfund Receivables/Payables

At June 30, 2001, the District has interfund receivables/payables which are classified as "Due to Other Funds" and "Due from Other Funds." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

| | <u>Due To</u> | <u>Due From</u> |
|-----------------------|------------------|------------------|
| General Fund | \$ 40,000 | \$ 0 |
| Special Revenue Funds | 0 | 40,000 |
| | <u>\$ 40,000</u> | <u>\$ 40,000</u> |

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 7. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

| | |
|-------------------------------|-------------------------|
| Furniture and Equipment | \$ 138,050 |
| Less Accumulated Depreciation | <u>(66,729)</u> |
| Net Fixed Assets | <u><u>\$ 71,321</u></u> |

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

| | General Fixed Assets June 30, 2000 | Additions | Deletions | General Fixed Assets June 30, 2001 |
|----------------------------|--|-----------------------|----------------------|--|
| Land and Improvements | \$ 18,857 | 180,072 | 0 | \$ 198,929 |
| Buildings and Improvements | 4,695,795 | 318,144 | 0 | 5,013,939 |
| Furniture and Equipment | 3,292,695 | 246,851 | 85,279 | 3,454,267 |
| Vehicles | 1,123,326 | 800 | 0 | 1,124,126 |
| Total General Fixed Assets | <u><u>\$ 9,130,673</u></u> | <u><u>745,867</u></u> | <u><u>85,279</u></u> | <u><u>\$ 9,791,261</u></u> |

The District had no construction in progress at June 30, 2001.

Note 8. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 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 at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations.

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 8. Defined Benefit Pension Plans (continued)

The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$235,392, \$231,432 and \$206,778 respectively; 44.96 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$144,070 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used 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, 2001, 2000, and 1999 were \$822,840, \$823,440 and \$732,456, respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$137,409 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Note 9. 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 non-certificated 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 cost 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$264,484 for fiscal year 2001.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 9. Postemployment Benefits (continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. 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 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$191,147.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 10. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements, Board policies and State laws. Only administrative and support personnel who are under a full year contract (12 months) are eligible for vacation time. The Superintendent is granted twenty days of vacation per year and the Treasurer is granted fifteen days per year. Classified staff are granted vacation days as follows:

| <u>Years of Service</u> | <u>Vacation Days</u> |
|-------------------------|----------------------|
| 1 - 8 | 10 |
| 8 -15 | 15 |
| 15+ | 20 |

Vacation time for classified employees has use restrictions, employees are expected to use earned vacation during the ensuing twelve month period. If at the end of the twelve month period, an employee has not used all of their earned vacation, the employee has the option of transferring the unused vacation to the following year (for use by December 31 of that year), or payment in lieu of vacation at 60% of the employees rate. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

employment.

Note 10. Compensated Absences (continued)

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for severance is 225 days.

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. Any 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 56 days. In addition, certified employees who retire after thirty years and have the maximum accumulation will receive a retirement bonus of 75 days severance pay in lieu of the 56 days.

Note 11. Risk Management

A. General Risk

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. In addition, the District maintains umbrella coverage at \$5,000,000. 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 \$28,235,100.

B. Workers' Compensation-Public Entity Risk Pool

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 percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

provides administrative, cost control and actuarial services to the GRP.

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 11. Risk Management (continued)

C. Health Insurance

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs. This self-insurance fund was established for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier. Effective July 1, 1996, the District terminated the independent carrier for self-insurance for basic medical, and prescription drug coverage and joined the South Central Ohio Insurance Consortium (SCOIC). The District continues to maintain an independent self-insurance fund for dental coverage. Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator.

These liabilities are reported at their present value of \$43,627 at June 30, 2001.

A summary of changes in self-insurance claims for the year ended June 30, 2001:

| | June 30, 2001 | June 30, 2000 |
|--|---------------|---------------|
| Claim Liabilities at beginning of year | \$ 56,360 | \$ 42,495 |
| Incurred Claims | 1,013,547 | 580,474 |
| Claims Paid | (1,026,280) | (566,609) |
| Claim Liabilities at end of year | \$ 43,627 | \$ 56,360 |

SCOIC currently includes eight member districts. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent.

Professional Risk Management, Inc., a third party administrator, services all health / medical claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$40,000 and \$2,000,000 lifetime maximum, per employee consortium wide.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 12. Notes and Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

| | Balance July 1, 2000 | Additions | Deletions | Balance June 30, 2001 |
|--------------------------------------|-------------------------|------------------|------------------|--------------------------|
| Intergovernmental Payable | \$ 103,517 | 95,245 | 103,517 | \$ 95,245 |
| General Obligation Notes Payable | 1,077,000 | 0 | 130,350 | 946,650 |
| General Obligation Bonds Payable | 1,015,000 | 0 | 30,000 | 985,000 |
| General Obligation Bus Bonds Payable | 331,000 | 0 | 37,000 | 294,000 |
| Capital Leases Payable | 145,632 | 147,923 | 77,600 | 215,955 |
| Compensated Absences Payable | 937,805 | 1,034,848 | 937,805 | 1,034,848 |
| Total | <u>\$ 3,609,954</u> | <u>1,278,016</u> | <u>1,316,272</u> | <u>\$ 3,571,698</u> |

The \$985,000 of outstanding general obligation bond relate to two projects. In 1993, bonds were issued for the purpose of an addition, remodeling and equipping the middle school building and improving the site thereof and an activity center at the high school. The bonds were issued for \$1,150,000 at 5.9% interest and mature December, 2018.

These bonds are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

The annual maturities of the general obligation bonds as of June 30, 2001, and related interest payments are as follows:

| | Principal | Interest | Payment |
|------------------------|-------------------|----------------|---------------------|
| FY 2002 | \$ 30,000 | 55,850 | \$ 85,850 |
| FY 2003 | 30,000 | 54,448 | 84,448 |
| FY 2004 | 35,000 | 52,860 | 87,860 |
| FY 2005 | 35,000 | 51,093 | 86,093 |
| FY 2006 and thereafter | 855,000 | 412,435 | 1,267,435 |
| Totals | <u>\$ 985,000</u> | <u>626,686</u> | <u>\$ 1,611,686</u> |

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 12. Notes and Long-Term Debt (continued)

In December, 1997 the District issued general obligation notes for H.B. 264 energy improvements. The notes were issued for \$1,047,892 at 4.4% interest and mature December, 2005. The balance of this debt was refinanced in November, 1998 extending the payment schedule an additional five years. In June, 1999 the District issued additional general obligation notes for H.B. 264 energy improvements. The notes were issued for \$425,000 at 4.85% interest and mature December, 2013. The annual maturities of these general obligation notes as of June 30, 2001, and related interest payments are as follows:

| | Principal | Interest | Payment |
|------------------------|-------------------|----------------|---------------------|
| FY 2002 | \$ 41,650 | 42,518 | \$ 84,168 |
| FY 2003 | 125,000 | 38,836 | 163,836 |
| FY 2004 | 135,000 | 33,082 | 168,082 |
| FY 2005 | 145,000 | 26,866 | 171,866 |
| FY 2006 and thereafter | 500,000 | 94,029 | 594,029 |
| Totals | <u>\$ 946,650</u> | <u>235,331</u> | <u>\$ 1,181,981</u> |

In February of 1996, the District issued \$260,000 in general obligation bus bonds for the purchase of five school buses. The bonds have an average interest of 5.38% and mature in 2007. The annual maturities of the general obligation bus bonds as of June 30, 2001, and related interest payments are as follows:

| | Principal | Interest | Payment |
|------------------------|-------------------|---------------|-------------------|
| FY 2002 | \$ 25,000 | 9,281 | \$ 34,281 |
| FY 2003 | 26,000 | 7,944 | 33,944 |
| FY 2004 | 28,000 | 6,553 | 34,553 |
| FY 2005 | 29,000 | 5,055 | 34,055 |
| FY 2006 and thereafter | 64,000 | 5,304 | 69,304 |
| Totals | <u>\$ 172,000</u> | <u>34,137</u> | <u>\$ 206,137</u> |

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 12. Notes and Long-Term Debt (continued)

In February of 1998, the District issued \$164,000 in general obligation bus bonds for the purchase of school buses. The bonds have an average interest of 5% and mature in 2008. The annual maturities of the general obligation bus bonds as of June 30, 2001, and related interest payments are as follows:

| | Principal | Interest | Payment |
|------------------------|-------------------|---------------|-------------------|
| FY 2002 | \$ 15,000 | 6,100 | \$ 21,100 |
| FY 2003 | 16,000 | 5,350 | 21,350 |
| FY 2004 | 17,000 | 4,550 | 21,550 |
| FY 2005 | 16,000 | 3,700 | 19,700 |
| FY 2006 and thereafter | 58,000 | 5,900 | 63,900 |
| Totals | <u>\$ 122,000</u> | <u>25,600</u> | <u>\$ 147,600</u> |

The District is making installment payments on copier and fax machines. This equipment has been capitalized in the general fixed assets account group. This obligation has an outstanding balance of \$84,705 at June 30, 2001. The annual payments and related interest payments are as follows:

| | Principal | Interest | Payment |
|---------|------------------|---------------|-------------------|
| FY 2002 | \$ 21,231 | 7,393 | \$ 28,624 |
| FY 2003 | 22,609 | 5,253 | 27,862 |
| FY 2004 | 24,454 | 2,863 | 27,317 |
| FY 2005 | 14,755 | 625 | 15,380 |
| FY 2006 | 1,656 | 31 | 1,687 |
| Totals | <u>\$ 84,705</u> | <u>16,165</u> | <u>\$ 100,870</u> |

The District has entered into a land lease with option to purchase for a 43.215 acre parcel of land in Fairfield County on June 1, 2001. The lease/purchase price of \$175,000 will be paid over a four year period at an interest rate of 6 percent. The annual payments and related interest payments are as follows:

| | Principal | Interest | Payment |
|---------|-------------------|---------------|-------------------|
| FY 2002 | \$ 43,750 | 7,875 | \$ 51,625 |
| FY 2003 | 43,750 | 5,250 | 49,000 |
| FY 2004 | 43,750 | 2,625 | 46,375 |
| Totals | <u>\$ 131,250</u> | <u>15,750</u> | <u>\$ 147,000</u> |

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 12. Notes and Long-Term Debt (continued)

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 limit is \$126,548. The voted debt limit at June 30, 2001 is \$11,389,353.

Note 13. Segments of Enterprise Activities

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

| | Lunchroom Fund | Uniform Supply Fund | Totals (Memorandum) (Only) |
|--------------------------------------|-------------------|---------------------------|----------------------------------|
| Operating Revenues | \$ 351,354 | 0 | \$ 351,354 |
| Operating Expenses: | | | |
| Depreciation | (2,500) | 0 | (2,500) |
| Other Expenses | (501,443) | 1,011 | (500,432) |
| Total Operating Expenses | (503,943) | 1,011 | (502,932) |
| Operating Loss | (152,589) | 1,011 | (151,578) |
| Non Operating Revenues and Expenses: | | | |
| Grants | 132,608 | 0 | 132,608 |
| Loss on Disposal of Assets | (1,634) | 0 | (1,634) |
| Earnings on Investment | 10,987 | 0 | 10,987 |
| Net Income | \$ (10,628) | \$ 1,011 | \$ (9,617) |
| Net Working Capital | \$ 119,403 | \$ 6,408 | \$ 125,811 |
| Total Assets | \$ 282,165 | \$ 6,408 | \$ 288,573 |
| Retained Earnings | \$ 190,725 | \$ 6,408 | \$ 197,133 |

Note 14. 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.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

Note 14. Jointly Governed Organizations (continued)

Fairfield County Council for Educational Collaboration - In accordance with the provisions of Ohio Revised Code 167 and 124.81, certain boards of education and institutions of higher education, within Fairfield County, have determined to enter into an agreement to form a council of governments. This council of governments shall be known as the Fairfield County Council for Educational Collaboration.

The purpose of the Fairfield County Council for Educational Collaboration is to bring together the public school systems and public institution for higher education in Fairfield County so they can collectively devise and provide for enhanced educational opportunities for the students and citizens of the community. The areas of interest that may be addressed by the Council include, but are not limited to, student programming, school management issues, and any other collaborative projects deemed appropriate by the governing body of the Council. The District appoints the superintendent to be its representative to the Board of Directors of this council.

The District has no ongoing financial interest or financial responsibility to the Fairfield County Council for Educational Collaboration.

South Central Ohio Insurance Consortium - The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees.

Central Ohio Special Education Regional Resource Center - The Central Ohio Special Education Regional Resource Center (COSSERC) is a not-for-profit Council of Governments of various school districts in Central Ohio. The District participates in services that assist the District in complying with Mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the District. COSSERC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for COSSERC.

Note 15. 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, 2001.

B. Litigation

Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

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, 2001.

Note 16. School Funding Decision

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

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

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

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

Note 17. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2001 there was no effect on fund balances as a result of implementing GASB 33.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 18. 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, 2001, the reserve activity was as follows:

| | Textbook Acquisition | Capital Acquisition | Budget Stabilization | Total |
|---|-------------------------|------------------------|-------------------------|-------------------|
| Set aside Cash Balance as of June 30, 2000 | \$ 0 | \$ 0 | \$ 201,585 | \$ 201,585 |
| Current Year Set-Aside Requirement | 256,972 | 256,972 | 110,017 | 623,961 |
| Current Year Offsets | 0 | (188,893) | 0 | (188,893) |
| Qualifying Disbursements | (381,372) | (413,576) | 0 | (794,948) |
| Total | <u>(124,400)</u> | <u>(345,497)</u> | <u>311,602</u> | <u>(158,295)</u> |
| Cash Balance Carried Forward to FY 2002 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 311,602</u> | |
| Amount Restricted for Budget Stabilization | | | | <u>\$ 311,602</u> |
| Total Restricted Assets | | | | <u>\$ 311,602</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.

Note 19. Fund Deficits

Fund balances and retained earnings at June 30, 2001, included the following individual fund deficits:

| | |
|--------------------------------------|------------|
| Local Professional Development Grant | \$ (21) |
| DPIA Grant | \$ (486) |
| PRCDA Grant | \$ (1,009) |
| Dental Insurance Agency Fund | \$ (500) |

These deficits are due, primarily, to the adjustments made for accrued liabilities. The general fund is liable for any deficits in the funds and provides operating transfers when cash is required, not when accruals occur.

**Fairfield Union Local School District
Fairfield County
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

FAIRFIELD COUNTY

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

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non- Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|-------------------------------------|---------------------------|------------------|--------------------------|------------------|---------------------------|
| | | | | | | |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution Program | | 10.550 | \$0 | \$29,257 | \$0 | \$33,007 |
| National School Lunch Program | LL-P4-2001 | 10.555 | 107,935 | 0 | 107,935 | 0 |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 107,935 | 29,257 | 107,935 | 33,007 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| E-Rate | | 84.000 | 0 | 0 | 3,515 | 0 |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Title 1 - Grants to Local Educational Agencies | C1-S1-2001 | 84.010 | 278,588 | 0 | 254,800 | 0 |
| Special Education-Grants to States | 6B-SF-2000 | 84.027 | 84,968 | 0 | 84,968 | 0 |
| Safe and Drug Free Schools and Communities - State Grants | DR-S1-2001 | 84.186 | 7,874 | 0 | 7,942 | 0 |
| Title VI | CS-S1-2001 | 84.151 | 9,397 | 0 | 9,397 | 0 |
| PRCDA Grant | | 93.558 | 27,571 | 0 | 32,828 | 0 |
| Dwight D. Eisenhower Grant | MS-S1-2001 | 84.281 | 7,945 | 0 | 10,986 | 0 |
| Title VI-R Grant | CR-S1-2001 | 84.340 | 36,492 | 0 | 38,132 | 0 |
| Total Department of Education | | | 452,835 | 0 | 442,568 | 0 |
| Totals | | | \$560,770 | \$29,257 | \$550,503 | \$33,007 |

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, 2001

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. 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, 2001, the District had no significant food commodities in inventory.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Fairfield Union Local School District
7698 Main Street
West Rushville, Ohio 43163

We have audited the general purpose financial statements of the Fairfield Union Local School District, Fairfield County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 16, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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.

Board of Education
Fairfield Union Local School District
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.


Steen & Co. LLC

November 16, 2001

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

Board of Education
Fairfield Union Local School District
7698 Main Street
West Rushville, Ohio 43163

Compliance

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

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

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


Board of Education
Report on Compliance With Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

Internal Control Over Compliance

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

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

This report is intended for the information and use of officials authorized to receive this report under Section 117.26 of the Ohio Revised Code 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.



Steen & Co. LLC
November 16, 2001

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

JUNE 30, 2001

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material 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 § .510? | No |
| (d)(1)(vii) | Major Programs (list): | 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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A- 133 § .315 (b)**

JUNE 30, 2001

There were no prior audit findings.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

FAIRFIELD UNION LOCAL SCHOOL DISTRICT

FAIRFIELD 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 17, 2002**