



**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Report of Independent Accountants | 1 |
| Combined Balance Sheet - All Fund Types and Account Groups For the Fiscal Year Ended June 30, 2001 | 4 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types For the Fiscal Year Ended June 30, 2001 | 9 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Budget Basis) - All Governmental Fund Types For the Fiscal Year Ended June 30, 2001 | 10 |
| Combined Statement of Revenues, Expenses and Changes in Fund Equity Proprietary Fund Type For the Fiscal Year Ended June 30, 2001 | 14 |
| Combined Statement of Revenues, Expenses and Changes in Fund Equity Budget and Actual (Budget Basis) - Proprietary Fund Type For the Fiscal Year Ended June 30, 2001 | 15 |
| Combined Statement of Cash Flows - Proprietary Fund Type For the Fiscal Year Ended June 30, 2001 | 16 |
| Notes to the General Purpose Financial Statements | 19 |
| Schedule of Federal Awards Receipts and Expenditures | 45 |
| Notes to Schedule of Federal Awards Receipts and Expenditures | 46 |
| Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 47 |
| Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | 49 |
| Schedule of Findings - <i>OMB Circular A-133, §.505</i> | 51 |
| Corrective Action Plan - <i>OMB Circular A-133, .315 (c)</i> | 53 |

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fairland Local School District, Lawrence County, Ohio (the School 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 School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 20, 2001

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**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | Governmental Fund Types | | | |
|--|-------------------------|--------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Assets and Other Debits: | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,932,677 | \$503,089 | \$445,874 | \$13,291,511 |
| Receivables: | | | | |
| Property Taxes | 1,950,451 | 48,762 | 343,278 | 0 |
| Accounts | 5,818 | 2,000 | 0 | 0 |
| Intergovernmental | 0 | 64,781 | 0 | 12,460,933 |
| Interfund | 20,000 | 0 | 0 | 0 |
| Inventory Held for Resale | 0 | 0 | 0 | 0 |
| Materials and Supplies Inventory | 13,154 | 3,372 | 0 | 0 |
| Prepaid Items | 86,425 | 4,836 | 0 | 310 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 169,693 | 0 | 0 | 0 |
| Cash and Cash Equivalents with Escrow Agent | 0 | 0 | 0 | 152,040 |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | 0 | 0 | 0 | 0 |
| Other Debits: | | | | |
| Amount Available in Debt Service Fund | 0 | 0 | 0 | 0 |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | \$5,178,218 | \$626,840 | \$789,152 | \$25,904,794 |

| Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Totals (Memorandum Only) |
|--------------------------|------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Agency | | | |
| \$14,657 | \$10,198 | \$0 | \$0 | \$17,198,006 |
| 0 | 0 | 0 | 0 | 2,342,491 |
| 0 | 0 | 0 | 0 | 7,818 |
| 16,565 | 0 | 0 | 0 | 12,542,279 |
| 0 | 0 | 0 | 0 | 20,000 |
| 15,688 | 0 | 0 | 0 | 15,688 |
| 294 | 0 | 0 | 0 | 16,820 |
| 3,574 | 0 | 0 | 0 | 95,145 |
| 0 | 0 | 0 | 0 | 169,693 |
| 0 | 0 | 0 | 0 | 152,040 |
| 20,135 | 0 | 19,162,077 | 0 | 19,182,212 |
| 0 | 0 | 0 | 450,960 | 450,960 |
| 0 | 0 | 0 | 4,382,587 | 4,382,587 |
| \$70,913 | \$10,198 | \$19,162,077 | \$4,833,547 | \$56,575,739 |

(Continued)

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

| | Governmental Fund Types | | | |
|---|-------------------------|--------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Liabilities, Fund Equity and Other Credits: | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$97,962 | \$17,903 | \$0 | \$19,431 |
| Contracts Payable | 0 | 0 | 0 | 1,629,330 |
| Accrued Wages and Benefits Payable | 990,176 | 133,370 | 0 | 0 |
| Compensated Absences Payable | 9,591 | 81,557 | 0 | 0 |
| Retainage Payable | 0 | 0 | 0 | 152,040 |
| Interfund Payable | 0 | 0 | 0 | 0 |
| Intergovernmental Payable | 175,886 | 9,381 | 0 | 0 |
| Claims Payable | 123,408 | 0 | 0 | 0 |
| Deferred Revenue | 1,921,554 | 62,821 | 338,192 | 12,329,375 |
| Due to Students | 0 | 0 | 0 | 0 |
| Energy Conservation Loan Payable | 0 | 0 | 0 | 0 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 |
| Total Liabilities | 3,318,577 | 305,032 | 338,192 | 14,130,176 |
| Fund Equity and Other Credits: | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Contributed Capital | 0 | 0 | 0 | 0 |
| Retained Earnings: | | | | |
| Unreserved Deficit | 0 | 0 | 0 | 0 |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 97,989 | 9,768 | 0 | 8,966,251 |
| Reserved for Inventory | 13,154 | 3,372 | 0 | 0 |
| Reserved for Property Taxes | 28,897 | 722 | 5,086 | 0 |
| Reserved for Budget Stabilization | 43,460 | 0 | 0 | 0 |
| Reserved for Capital Acquisition | 30,479 | 0 | 0 | 0 |
| Reserved for Bus Purchases | 95,754 | 0 | 0 | 0 |
| Unreserved, Undesignated | 1,549,908 | 307,946 | 445,874 | 2,808,367 |
| Total Fund Equity and Other Credits | 1,859,641 | 321,808 | 450,960 | 11,774,618 |
| Total Liabilities, Fund Equity and Other Credits | \$5,178,218 | \$626,840 | \$789,152 | \$25,904,794 |

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

| Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Totals (Memorandum Only) |
|--------------------------|------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Agency | | | |
| \$0 | \$0 | \$0 | \$0 | \$135,296 |
| 0 | 0 | 0 | 0 | 1,629,330 |
| 30,865 | 0 | 0 | 0 | 1,154,411 |
| 14,396 | 0 | 0 | 613,182 | 718,726 |
| 0 | 0 | 0 | 0 | 152,040 |
| 20,000 | 0 | 0 | 0 | 20,000 |
| 4,501 | 0 | 0 | 85,365 | 275,133 |
| 0 | 0 | 0 | 0 | 123,408 |
| 14,363 | 0 | 0 | 0 | 14,666,305 |
| 0 | 10,198 | 0 | 0 | 10,198 |
| 0 | 0 | 0 | 340,000 | 340,000 |
| 0 | 0 | 0 | 3,795,000 | 3,795,000 |
| <u>84,125</u> | <u>10,198</u> | <u>0</u> | <u>4,833,547</u> | <u>23,019,847</u> |
| 0 | 0 | 19,162,077 | 0 | 19,162,077 |
| 204,592 | 0 | 0 | 0 | 204,592 |
| (217,804) | 0 | 0 | 0 | (217,804) |
| 0 | 0 | 0 | 0 | 9,074,008 |
| 0 | 0 | 0 | 0 | 16,526 |
| 0 | 0 | 0 | 0 | 34,705 |
| 0 | 0 | 0 | 0 | 43,460 |
| 0 | 0 | 0 | 0 | 30,479 |
| 0 | 0 | 0 | 0 | 95,754 |
| 0 | 0 | 0 | 0 | 5,112,095 |
| <u>(13,212)</u> | <u>0</u> | <u>19,162,077</u> | <u>0</u> | <u>33,555,892</u> |
| <u>\$70,913</u> | <u>\$10,198</u> | <u>\$19,162,077</u> | <u>\$4,833,547</u> | <u>\$56,575,739</u> |

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**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|------------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Revenues: | | | | | |
| Property Taxes | \$1,987,905 | \$49,697 | \$349,870 | \$0 | \$2,387,472 |
| Intergovernmental | 6,627,270 | 1,229,864 | 49,483 | 13,867,055 | 21,773,672 |
| Interest | 224,825 | 0 | 0 | 446,899 | 671,724 |
| Tuition and Fees | 14,256 | 0 | 0 | 0 | 14,256 |
| Rent | 1,790 | 0 | 0 | 0 | 1,790 |
| Extracurricular Activities | 0 | 199,494 | 0 | 0 | 199,494 |
| Gifts and Donations | 0 | 12,500 | 0 | 0 | 12,500 |
| Miscellaneous | 11,942 | 0 | 0 | 0 | 11,942 |
| Total Revenues | 8,867,988 | 1,491,555 | 399,353 | 14,313,954 | 25,072,850 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction | | | | | |
| Regular | 4,186,743 | 906,259 | 0 | 123,973 | 5,216,975 |
| Special | 1,032,869 | 258,798 | 0 | 0 | 1,291,667 |
| Vocational | 67,074 | 0 | 0 | 0 | 67,074 |
| Other | 4,408 | 0 | 0 | 0 | 4,408 |
| Support Services | | | | | |
| Pupils | 328,170 | 68,822 | 0 | 0 | 396,992 |
| Instructional Staff | 255,059 | 100,101 | 0 | 0 | 355,160 |
| Board of Education | 125,637 | 0 | 0 | 0 | 125,637 |
| Administration | 763,872 | 0 | 0 | 0 | 763,872 |
| Fiscal | 353,619 | 0 | 0 | 0 | 353,619 |
| Business | 0 | 73,742 | 0 | 0 | 73,742 |
| Operation and Maintenance of Plant | 888,462 | 0 | 0 | 0 | 888,462 |
| Pupil Transportation | 648,574 | 0 | 0 | 0 | 648,574 |
| Extracurricular Activities | 113,335 | 67,948 | 0 | 0 | 181,283 |
| Capital Outlay | 127,309 | 0 | 0 | 8,900,511 | 9,027,820 |
| Debt Service | | | | | |
| Principal Retirement | 0 | 0 | 170,000 | 0 | 170,000 |
| Interest and Fiscal Charges | 0 | 0 | 212,900 | 0 | 212,900 |
| Total Expenditures | 8,895,131 | 1,475,670 | 382,900 | 9,024,484 | 19,778,185 |
| Excess of Revenues Over (Under) Expenditures | (27,143) | 15,885 | 16,453 | 5,289,470 | 5,294,665 |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In | 0 | 80,000 | 83,800 | 0 | 163,800 |
| Operating Transfers Out | (186,300) | 0 | 0 | 0 | (186,300) |
| Total Other Financing Sources (Uses) | (186,300) | 80,000 | 83,800 | 0 | (22,500) |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | | | | | |
| | (213,443) | 95,885 | 100,253 | 5,289,470 | 5,272,165 |
| Fund Balances at Beginning of Year (Restated - Note 3) | 2,078,828 | 222,553 | 350,707 | 6,485,148 | 9,137,236 |
| Increase in Reserve for Inventory | (5,744) | 3,370 | 0 | 0 | (2,374) |
| Fund Balances at End of Year | \$1,859,641 | \$321,808 | \$450,960 | \$11,774,618 | \$14,407,027 |

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | General Fund | | |
|---|--------------------|--------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | |
| Property Taxes | \$1,970,077 | \$2,053,236 | \$83,159 |
| Intergovernmental | 6,559,625 | 6,627,270 | 67,645 |
| Interest | 224,750 | 225,520 | 770 |
| Tuition and Fees | 14,256 | 14,256 | 0 |
| Rent | 1,800 | 1,790 | (10) |
| Extracurricular Activities | 0 | 0 | 0 |
| Gifts and Donations | 0 | 0 | 0 |
| Miscellaneous | 13,506 | 19,540 | 6,034 |
| Total Revenues | 8,784,014 | 8,941,612 | 157,598 |
| Expenditures: | | | |
| Current: | | | |
| Instruction | | | |
| Regular | 4,492,748 | 4,203,665 | 289,083 |
| Special | 1,038,698 | 1,022,103 | 16,595 |
| Vocational | 65,120 | 66,565 | (1,445) |
| Other | 3,600 | 3,658 | (58) |
| Support Services | | | |
| Pupils | 352,487 | 341,425 | 11,062 |
| Instructional Staff | 229,165 | 253,958 | (24,793) |
| Board of Education | 69,044 | 84,941 | (15,897) |
| Administration | 733,873 | 763,354 | (29,481) |
| Fiscal | 327,910 | 352,968 | (25,058) |
| Business | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 833,172 | 869,232 | (36,060) |
| Pupil Transportation | 610,081 | 580,023 | 30,058 |
| Extracurricular Activities | 98,020 | 120,304 | (22,284) |
| Capital Outlay | 227,371 | 140,382 | 86,989 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| Total Expenditures | 9,081,289 | 8,802,578 | 278,711 |
| Excess of Revenues Over (Under) Expenditures | (297,275) | 139,034 | 436,309 |
| Other Financing Sources (Uses): | | | |
| Operating Transfers In | 0 | 0 | 0 |
| Advances In | 55,500 | 55,500 | 0 |
| Operating Transfers Out | (164,000) | (186,300) | (22,300) |
| Advances Out | (13,875) | (20,000) | (6,125) |
| Total Other Financing Sources (Uses) | (122,375) | (150,800) | (28,425) |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (419,650) | (11,766) | 407,884 |
| Fund Balances at Beginning of Year | 2,635,529 | 2,635,529 | 0 |
| Prior Year Encumbrances Appropriated | 0 | 0 | 0 |
| | 361,322 | 361,322 | 0 |
| Fund Balances at End of Year | \$2,577,201 | \$2,985,085 | \$407,884 |

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

| Special Revenue Funds | | | Debt Service Fund | | |
|-----------------------|------------------|----------------------------------|-------------------|------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$54,907 | \$51,331 | (\$3,576) | \$386,542 | \$361,368 | (\$25,174) |
| 1,200,834 | 1,209,864 | 9,030 | 0 | 49,483 | 49,483 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 201,825 | 199,494 | (2,331) | 0 | 0 | 0 |
| 0 | 10,500 | 10,500 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 1,457,566 | 1,471,189 | 13,623 | 386,542 | 410,851 | 24,309 |
| 887,978 | 862,376 | 25,602 | 0 | 0 | 0 |
| 306,483 | 260,240 | 46,243 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 62,899 | 71,128 | (8,229) | 0 | 0 | 0 |
| 103,776 | 96,347 | 7,429 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 90,000 | 84,796 | 5,204 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 70,000 | 68,414 | 1,586 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 170,000 | 170,000 | 0 |
| 0 | 0 | 0 | 212,900 | 212,900 | 0 |
| 1,521,136 | 1,443,301 | 77,835 | 382,900 | 382,900 | 0 |
| (63,570) | 27,888 | 91,458 | 3,642 | 27,951 | 24,309 |
| 80,000 | 80,000 | 0 | 83,800 | 83,800 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 80,000 | 80,000 | 0 | 83,800 | 83,800 | 0 |
| 16,430 | 107,888 | 91,458 | 87,442 | 111,751 | 24,309 |
| 351,825 | 351,825 | 0 | 334,123 | 334,123 | 0 |
| 16,436 | 16,436 | 0 | 0 | 0 | 0 |
| \$384,691 | \$476,149 | \$91,458 | \$421,565 | \$445,874 | \$24,309 |

(Continued)

IRONTON CITY SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1998
(Continued)

| | Capital Projects Funds | | |
|---|------------------------|--------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | |
| Property and Other Local Taxes | \$0 | \$0 | \$0 |
| Intergovernmental | 13,684,970 | 13,735,497 | 50,527 |
| Interest | 446,807 | 446,899 | 92 |
| Tuition and Fees | 0 | 0 | 0 |
| Rent | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Gifts and Donations | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Total Revenues | 14,131,777 | 14,182,396 | 50,619 |
| Expenditures: | | | |
| Current: | | | |
| Instruction | | | |
| Regular | 129,030 | 123,302 | 5,728 |
| Special | 0 | 0 | 0 |
| Vocational | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Support Services | | | |
| Pupils | 0 | 0 | 0 |
| Instructional Staff | 0 | 0 | 0 |
| Board of Education | 0 | 0 | 0 |
| Administration | 0 | 0 | 0 |
| Fiscal | 0 | 0 | 0 |
| Business | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 0 | 0 | 0 |
| Pupil Transportation | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Capital Outlay | 15,899,359 | 16,073,917 | (174,558) |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 |
| Total Expenditures | 16,028,389 | 16,197,219 | (168,830) |
| Excess of Revenues Over (Under) Expenditures | (1,896,612) | (2,014,823) | (118,211) |
| Other Financing Sources (Uses): | | | |
| Operating Transfers In | 0 | 0 | 0 |
| Advances In | 0 | 0 | 0 |
| Operating Transfers Out | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | 0 | 0 | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (1,896,612) | (2,014,823) | (118,211) |
| Fund Balances at Beginning of Year | 6,458,712 | 6,458,712 | 0 |
| Prior Year Encumbrances Appropriated | 26,436 | 26,436 | 0 |
| Fund Balances at End of Year | \$4,588,536 | \$4,470,325 | (\$118,211) |

| Expendable Trust Fund | | | Totals (Memorandum Only) | | |
|-----------------------|------------|----------------------------------|--------------------------|--------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$2,411,526 | \$2,465,935 | \$54,409 |
| 0 | 0 | 0 | 21,445,429 | 21,622,114 | 176,685 |
| 0 | 0 | 0 | 671,557 | 672,419 | 862 |
| 0 | 0 | 0 | 14,256 | 14,256 | 0 |
| | | | 1,800 | 1,790 | (10) |
| | | | 201,825 | 199,494 | (2,331) |
| | | | 0 | 10,500 | 10,500 |
| 0 | 0 | 0 | 13,506 | 19,540 | 6,034 |
| 0 | 0 | 0 | 24,759,899 | 25,006,048 | 246,149 |
| 0 | 0 | 0 | 5,509,756 | 5,189,343 | 320,413 |
| 0 | 0 | 0 | 1,345,181 | 1,282,343 | 62,838 |
| 0 | 0 | 0 | 65,120 | 66,565 | (1,445) |
| | | | 3,600 | 3,658 | (58) |
| 0 | 0 | 0 | 415,386 | 412,553 | 2,833 |
| 0 | 0 | 0 | 332,941 | 350,305 | (17,364) |
| 0 | 0 | 0 | 69,044 | 84,941 | (15,897) |
| 0 | 0 | 0 | 733,873 | 763,354 | (29,481) |
| 0 | 0 | 0 | 327,910 | 352,968 | (25,058) |
| 0 | 0 | 0 | 90,000 | 84,796 | 5,204 |
| 0 | 0 | 0 | 833,172 | 869,232 | (36,060) |
| 0 | 0 | 0 | 610,081 | 580,023 | 30,058 |
| 0 | 0 | 0 | 168,020 | 188,718 | (20,698) |
| 0 | 0 | 0 | 16,126,730 | 16,214,299 | (87,569) |
| 0 | 0 | 0 | 170,000 | 170,000 | 0 |
| 0 | 0 | 0 | 212,900 | 212,900 | 0 |
| 0 | 0 | 0 | 27,013,714 | 26,825,998 | 187,716 |
| 0 | 0 | 0 | (2,253,815) | (1,819,950) | 433,865 |
| 0 | 0 | 0 | 163,800 | 163,800 | 0 |
| 0 | 0 | 0 | 55,500 | 55,500 | 0 |
| 0 | 0 | 0 | (164,000) | (186,300) | (22,300) |
| 0 | 0 | 0 | (13,875) | (20,000) | (6,125) |
| 0 | 0 | 0 | 41,425 | 13,000 | (28,425) |
| 0 | 0 | 0 | (2,212,390) | (1,806,950) | 405,440 |
| 0 | 0 | 0 | 9,780,189 | 9,780,189 | 0 |
| 0 | 0 | 0 | 404,194 | 404,194 | 0 |
| \$0 | \$0 | \$0 | \$7,971,993 | \$8,377,433 | \$405,440 |

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | Enterprise |
|--|-------------------|
| Operating Revenues: | |
| Sales | \$191,272 |
| Total Operating Revenues | 191,272 |
| Operating Expenses: | |
| Expenditures: | |
| Current: | |
| Support Services: | |
| Salaries | 146,641 |
| Fringe Benefits | 63,022 |
| Purchased Services | 3,053 |
| Materials and Supplies | 77,237 |
| Cost of Sales | 163,479 |
| Depreciation | 1,694 |
| Total Operating Expenses | 455,126 |
| Operating Loss | (263,854) |
| Non-Operating Revenues: | |
| Federal Donated Commodities | 46,960 |
| Interest | 119 |
| Federal and State Subsidies | 172,334 |
| Total Non-Operating Revenues | 219,413 |
| Net Loss Before Operating Transfers | (44,441) |
| Operating Transfers In | 22,500 |
| Net Loss | (21,941) |
| Retained Earnings at Beginning of Year - Restated (See Note 3) | (195,863) |
| Retained Earnings Deficit at End of Year | (217,804) |
| Contributed Capital at Beginning of Year | 204,592 |
| Contributed Capital at End of Year | 204,592 |
| Total Fund Equity Deficit at End of Year | (\$13,212) |

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | Enterprise Funds | | |
|--|-------------------|-----------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | |
| Sales | \$186,929 | \$191,272 | \$4,343 |
| Total Revenues | 186,929 | 191,272 | 4,343 |
| Expenses: | | | |
| Salaries | 142,950 | 139,131 | 3,819 |
| Fringe Benefits | 65,105 | 62,650 | 2,455 |
| Purchased Services | 4,100 | 3,053 | 1,047 |
| Materials and Supplies | 189,195 | 194,852 | (5,657) |
| Total Expenses | 401,350 | 399,686 | 1,664 |
| Excess of Revenues Under Expenses Before Transfers and Advances | (214,421) | (208,414) | 6,007 |
| Non-Operating Revenues and Expenses: | | | |
| Federal and State Subsidies | 155,771 | 155,769 | (2) |
| Interest | 0 | 119 | 119 |
| Transfers In | 21,329 | 22,500 | 1,171 |
| Advances In | 20,000 | 20,000 | 0 |
| Operating Transfers Out | 0 | (55,500) | (55,500) |
| Total Non-Operating Revenues and Expenses | 197,100 | 142,888 | (54,212) |
| Excess of Revenues Under Expenses, Transfers and Advances | (17,321) | (65,526) | (48,205) |
| Fund Equity at Beginning of Year | 24,376 | 24,376 | 0 |
| Prior Year Encumbrances Appropriated | 55,761 | 55,761 | 0 |
| Fund Equity at End of Year | \$62,816 | \$14,611 | (\$48,205) |

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | <u>Enterprise</u> |
|--|-------------------------------|
| Increase (Decrease) in Cash and Cash Equivalents: | |
| Cash Flows from Operating Activities: | |
| Cash Received from Customers | \$191,272 |
| Cash Payments to Suppliers for Goods and Services | (197,860) |
| Cash Payments for Employee Services and Benefits | <u>(201,780)</u> |
| Net Cash Used for Operating Activities | <u>(208,368)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| Operating Grants Received | 155,769 |
| Operating Transfers In | 22,500 |
| Advances In | 20,000 |
| Advances Out | <u>(55,500)</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>142,769</u> |
| Cash Flows from Investing Activities: | |
| Interest on Investments | <u>119</u> |
| Net Cash provided by Investing Activities | <u>119</u> |
| Net Decrease in Cash and Cash Equivalents | (65,480) |
| Cash and Cash Equivalents at Beginning of Year | <u>80,137</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$14,657</u></u> |

(Continued)

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

| | <u>Enterprise</u> |
|--|----------------------------------|
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities: | |
| Operating Loss | (\$263,854) |
| <u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u> | |
| Depreciation | 1,694 |
| Donated Commodities Used During Year | 46,960 |
| Changes in Assets and Liabilities: | |
| Decrease in Inventory Held for Resale | (157) |
| Increase in Materials and Supplies Inventory | (87) |
| Increase in Prepaid Items | (1,067) |
| Decrease in Accounts Payable | (806) |
| Increase in Accrued Wages and Benefits Payable | 5,620 |
| Increase in Compensated Absences Payable | 3,220 |
| Increase in Intergovernmental Payable | 109 |
| Total Adjustments | <u>55,486</u> |
| Net Cash Used for Operating Activities | <u><u>(\$208,368)</u></u> |

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

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Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

Note 1 - Description of the School District and Reporting Entity

Fairland Local School 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 School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's three instructional/support facilities staffed by 54 noncertified, 113 certificated full time teaching personnel and nine administrators who provide services to 1,838 students.

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

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

The School District is associated with four organizations, two of which are defined as jointly governed organizations and two as insurance purchasing pools. These organizations are presented in Note 10 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Lawrence County Joint Vocational School District
South Central Ohio Computer Association

Insurance Purchasing Entity Risk Pools:

Ohio School Boards Association Workers' Compensation Group Rating Program
Lawrence County Schools Insurance Purchasing Consortium

Note 2 - Summary of Significant Accounting Policies

The financial statements of Fairland Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

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

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

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

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

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

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

Enterprise Funds - Enterprise funds are used to account for 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 revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received with sixty day of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 7.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

C. Budgetary Data

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

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Lawrence County Budget Commission for rate determination.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. The Food Service Proprietary Fund expended more than its equity interest in the pooled bank account at June 30, 2001. The general fund made an advance to this fund to eliminate the negative cash balance. The general fund has an interfund receivable for the amount advanced while the fund with negative cash balances has an interfund payable for the same amount on the combined balance sheet.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

During fiscal year 2001, investments were limited to overnight repurchase agreements and Star Ohio.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$224,825, which includes \$68,338 assigned from other School District funds.

E. Inventory

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

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

F. Prepaid Items

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

G. Fixed Assets and Depreciation

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and 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.

H. Short-term Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables/payables."

I. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Interfund Transactions

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

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

L. Fund Balance Reserves

The School District reserves fund balance for amounts that are legally segregated for specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, budget stabilization, textbook and instructional materials, school bus purchases, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

M. Contributed Capital

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

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during the fiscal year.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed

capital in the accompanying financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

O. 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.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, 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.

Note 3 - Changes in Accounting Principles and Restatement of Fund Balances

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". The implementation of GASB Statements 33 and 36 had no effect on fund balances at June 30, 2000:

Restatement of Fund Balances In the prior year, intergovernmental receivables were misstated in the Ohio Reads Special Revenue Fund. This had the following effect on fund balance as it was previously reported as of June 30, 2000:

**Fairland Local School District
Lawrence County**

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

| | |
|-------------------------------------|-----------|
| Fund Balance as Previously Reported | \$192,553 |
| Adjustments due to misstatement | 30,000 |
| Fund Balance as of June 30, 2000 | \$222,553 |

Restatement of Retained Earnings In the prior year, compensated absences payable were misstated in the Food Service Enterprise Fund. This had the following effect on retained earnings as it was previously reported as of June 30, 2000:

| | |
|--|-------------|
| Retained Earnings as Previously Reported | (\$180,518) |
| Deferred Revenue Improperly Recorded | (4,572) |
| Compensated Absences Improperly Recorded | (10,773) |
| Restated Retained Earnings as of June 30, 2000 | (\$195,863) |

Note 4 - Accountability and Compliance

A. Accountability

The following funds had deficit fund balance/retained earnings at June 30, 2001:

| | Deficit Fund Balance/ Retained Earnings |
|------------------------|---|
| Special Revenue Funds: | |
| DPIA | \$81,200 |
| Enterprise Fund: | |
| Food Service | \$213,967 |

The deficits in the special revenue funds were created by the application of generally accepted accounting principles. The general fund is liable for any deficit in the special revenue funds and provides operating transfers when cash is required, not when accruals occur.

The deficit in the food service enterprise fund is the result of accumulated losses. The School District is analyzing the enterprise fund operations to determine appropriate steps to alleviate the deficit.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts,

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

| | General | Special Revenue | Debt Service | Capital Projects |
|----------------------|-------------------|--------------------|------------------|----------------------|
| GAAP Basis | (\$213,443) | \$95,885 | \$100,253 | \$5,289,470 |
| Revenue Accruals | 72,084 | (20,366) | 11,498 | (131,558) |
| Prepaid Items | 86,425 | 4,836 | 0 | 310 |
| Unrecorded Cash | 770 | 0 | 0 | 0 |
| Advance In | 55,500 | 0 | 0 | 0 |
| Expenditure Accruals | 124,182 | 54,475 | 0 | \$1,800,182 |
| Advance Out | (20,000) | 0 | 0 | 0 |
| Encumbrances | (117,284) | (26,942) | 0 | (8,973,227) |
| Budget Basis | <u>\$(11,766)</u> | <u>\$107,888</u> | <u>\$111,751</u> | <u>\$(2,014,823)</u> |

**Fairland Local School District
Lawrence County**

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

Net Income/Excess of Revenues and
Operating Transfers Over Expenses
Proprietary Fund Type

| | Enterprise |
|----------------------|------------|
| GAAP Basis | (\$21,941) |
| Revenue Accruals | (63,526) |
| Advance In | 20,000 |
| Prepaid Items | 3,574 |
| Expense Accruals | 50,218 |
| Advance Out | (55,500) |
| Depreciation Expense | 1,694 |
| Encumbrances | (45) |
| Budget Basis | (\$65,526) |

Note 6 - Deposits and Investments

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

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

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

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

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

Interim monies may be 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,

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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 fiscal year end, the carrying amount of the School District's deposits was \$100,475 and the bank balance was \$50,524, which was covered by federal deposit insurance.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

are held by the counterparty, or by its trust department or agent but not in the School District's name.

| | Category 3 | Fair Value |
|-----------------------|---------------|---------------|
| Repurchase Agreements | \$17,419,264 | \$17,419,264 |

In addition to the repurchase agreements noted above, the School District also has a repurchase agreement for their payroll account. There is no carrying value. The bank balance of \$356,850 at June 30, 2001 is a Category 3 investment.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|-----------------------|---------------------------------------|--------------|
| GASB Statement 9 | \$17,519,739 | \$0 |
| Repurchase Agreements | (17,419,264) | 17,419,264 |
| GASB Statement 3 | \$ 100,475 | \$17,419,264 |

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2001 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if

**Fairland Local School District
Lawrence County**

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

paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The assessed values upon which the fiscal year 2001 taxes were collected are:

| | 2000 Second- Half Collections | | 2001 First- Half Collections | |
|--|----------------------------------|-------------|---------------------------------|-------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/ Residential and Other Real Estate | \$97,388,530 | 92% | \$99,024,210 | 91% |
| Public Utility Personal | 5,662,700 | 5 | 5,887,570 | 6 |
| Tangible Personal Property | 2,617,220 | 3 | 3,482,160 | 3 |
| Total | \$105,668,450 | 100% | \$108,393,940 | 100% |
| Tax rate per \$1,000 of assessed valuation | \$24.02 | | \$24.02 | |

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$34,705 and is recognized as revenue. \$28,897 was available to the General Fund, \$5,086 was available to the Bond Retirement Fund and \$722 was available to the Classroom Facility Special Revenue Fund.

Note 8 - Receivables

Receivables at June 30, 2001, consisted of taxes, accounts (insurance payments and pledged scholarships), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

funds. A summary of the principal items of intergovernmental receivables follows:

| Intergovernmental Receivables | Amounts |
|-------------------------------------|--------------|
| Special Revenue Funds: | |
| Eisenhower | \$1,005 |
| Title I | 63,776 |
| Total Special Revenue Funds | 64,781 |
| Capital Projects Funds: | |
| Classroom Facilities | 12,388,933 |
| Ohio SchoolNet, IVDL | 72,000 |
| Total Capital Projects Funds | 12,460,933 |
| Enterprise Funds: | |
| Food service | 16,565 |
| Total Intergovernmental Receivables | \$12,542,279 |

On September 18, 1998, the School District was awarded \$28,720,085 for renovations and additions to various school buildings within the School District and construction of a new high school under the State's "Classroom Facilities Program." Under this program, the School District entered into an agreement with the State of Ohio in which the State will initially pay for a portion of the estimated project costs. As part of the process, the School District maintains a fund in which a one-half mill levy is receipted into it for facilities maintenance. In addition, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years for a twenty-three year period which began on September 18, 1998. Legislation effective September 15, 2000, eliminated any possibility that money received by the School District under this program will need to be repaid. As of the end of fiscal year 2001, the School District had received \$16,408,916 of the amount awarded under this program. The remaining amount of \$12,311,169 is recorded as a receivable and a deferred revenue on the balance sheet.

Note 9 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

| | |
|--------------------------------|-----------|
| Furniture and Equipment | \$205,672 |
| Less: accumulated depreciation | (185,537) |
| Net Fixed Assets | \$20,135 |

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

**Fairland Local School District
Lawrence County**

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

| | Balance 6/30/00 | Additions | Deductions | Balance 6/30/01 |
|--------------------------------------|---------------------|--------------------|------------------|---------------------|
| Land and Improvements | \$126,752 | \$71,839 | \$0 | \$198,591 |
| Buildings and Improvements | 5,142,795 | 31,135 | 0 | 5,173,930 |
| Furniture, Fixtures and Equipment | 2,753,664 | 230,908 | 4,409 | 2,980,163 |
| Vehicles | 855,244 | 150,904 | 40,450 | 965,698 |
| Textbooks | 365,194 | 75,522 | 62,000 | 378,716 |
| Construction in Progress | 961,740 | 8,503,239 | 0 | 9,464,979 |
| Total General Fixed Assets | <u>\$10,205,389</u> | <u>\$9,063,547</u> | <u>\$106,859</u> | <u>\$19,162,077</u> |

Note 10 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake-Union Exempted Village School District, two from the Ironton City School District and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, Ohio 45619.

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Fairland Local School District paid \$3,718 for services provided during fiscal year 2001. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

B. Insurance Purchasing Pools

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

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers.

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2001, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible.

Professional and general liability is protected by The Nationwide Insurance Company with a \$2,000,000 single occurrence limit and no deductible. Vehicles are covered by Nationwide Insurance and hold a \$50 deductible for comprehensive and \$100 deductible for collision. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 10). The intent of the consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider. Participation in the consortium is limited to school districts that can meet the criteria outlined in the consortium's operating articles. The firm of Cross and Associates provides administrative services to the consortium.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, 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 N. Fourth Street,

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$196,128, \$ 179,190, and \$162,774, respectively; approximately 50 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$98,531 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides 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 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$700,476, \$634,320, and \$598,896, respectively; 95.5 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$61,880 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

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. For the School District, this amount equaled \$222,161 for fiscal year 2001.

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 fiscal 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 from 8.5 percent for fiscal year 2000. 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 was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$142,455.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 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 currently receiving health care benefits.

Note 14 - Other Employee Benefits

A. Compensated Absences

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

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 305 days. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 53 days.

Classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may accumulate up to 250 days. Upon retirement, classified employees receive payment for one-fourth of the

**Fairland Local School District
Lawrence County**

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

total sick leave accumulation to a maximum of 50 days.

B. Life Insurance and Health Care Benefits

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

Dental coverage is provided through Coresource Inc. Premiums for this coverage are \$54.38 monthly for family and \$18.27 monthly for single coverage. Employees contribute \$4 for family coverage and \$2 for single coverage.

Health insurance is provided by Medical Mutual of Ohio. Premiums for this coverage are \$757.05 for family coverage and \$306.80 for single coverage. The School District pays 85% of premiums while the employee contributes 15%.

Vision insurance is provided by VisionPlus of America Inc. Premiums for this coverage are \$23.57 monthly for family coverage and 9.63 monthly for single coverage. Employees contribute \$13.94 monthly for family coverage. Employee coverage is 100% board paid.

Note 15 – Contractual Commitments

As of June 30, 2001, the School District had contractual purchase commitments as follows:

| <u>Company</u> | <u>Project</u> | <u>Amount Remaining On Contract</u> |
|--------------------------------------|--|---|
| BBL Maescher | Construction Manager | \$781,137 |
| Tanner, Stone and Company | Professional Design Services | \$565,056 |
| Crace Construction | High School General Trades Construction | \$2,597,417 |
| General Heating and Air Conditioning | HVAC Work | \$1,056,878 |
| Metro Masonry, Inc. | High School Masonry Work | \$899,575 |
| Dixon Electrical Systems | High School Electrical Work | \$843,350 |
| Ferguson Brothers | Plumbing | \$603,356 |
| Powell, Inc. | Energy Management System | \$571,100 |
| Tech Valley Contracting | Roofing | \$340,436 |

**Fairland Local School District
Lawrence County**

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

| | | |
|------------------------------|----------------------------------|-----------|
| B & L Contractors Inc | East General Trades Construction | \$195,186 |
| J & H Reinforcing | Steel Structural Work | \$159,808 |
| McDaniel Electric | East Electrical Work | \$175,447 |
| L.R. Polster Co. | Food Service Equipment | \$167,850 |
| Rick Eplion Paving | High School Paving | \$ 80,042 |
| Davis and Burton Contractors | High School Site Preparation | \$ 65,897 |
| Blacktop Industries | East Elementary Paving | \$123,029 |
| Scioto Masonry Builders | East Elementary Masonry | \$ 23,857 |

From July 1, 2001 to December 20, 2001, the School District has also incurred the following contractual purchase commitments:

| <u>Company</u> | <u>Project</u> | <u>Amount Remaining On Contract</u> |
|---------------------------------|---|---|
| RWS Builders | West Middle School General Trades Construction | \$ 6,602,000 |
| Cimco, Inc. | West Middle School Plumbing | \$ 660,500 |
| General Heating & Air | West Middle School HVAC | \$ 2,393,730 |
| Brewer & Company | West Middle School Fire Protection | \$ 294,920 |
| Dixon Electric | West Middle School Electric | \$ 611,000 |
| James Electric | West Middle School Electric | \$ 710,000 |
| B & L Contractors | East Elementary General Trades Construction | \$ 849,000 |
| Cimco Incorporated | East Elementary Plumbing | \$ 147,500 |
| Mechanical Construction Company | East Elementary HVAC | \$ 785,400 |

**Fairland Local School District
Lawrence County**

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

| | | |
|------------------|---------------------------------|------------|
| Brewer & Company | East Elementary Fire Protection | \$ 71,150 |
| Dixon Electric | East Elementary Electric | \$ 457,400 |

Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2001 were as follows:

| | Principal Outstanding 6/30/00 | Additions | Deductions | Principal Outstanding 6/30/01 |
|--------------------------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| Energy Conservation Bonds 1996 5.95% | \$400,000 | \$0 | \$60,000 | \$340,000 |
| OSFC Bonds, 1999 5.02% | 3,905,000 | 0 | 110,000 | 3,795,000 |
| Compensated Absences | 633,073 | 76,837 | 96,728 | 613,182 |
| Intergovernmental Payable | 91,583 | 85,365 | 91,583 | 85,365 |
| Total General Long-Term Obligations | <u>\$5,029,656</u> | <u>\$162,202</u> | <u>\$358,311</u> | <u>\$4,833,547</u> |

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

The School District's overall legal debt margin was \$7,697,900, with an unvoted debt margin of \$108,394 at June 30, 2001. Principal and interest requirements to retire the energy conservation bonds and notes outstanding at June 30, 2001, are as follows:

Principal and interest requirements to retire general obligation energy conservation bonds outstanding at June 30, 2001, are as follows:

| Fiscal Year Ending June 30, 2001 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|------------------|-----------------|------------------|
| 2002 | \$60,000 | \$20,230 | \$80,230 |
| 2003 | 65,000 | 16,660 | 81,660 |
| 2004 | 70,000 | 12,793 | 82,793 |
| 2005 | 70,000 | 8,627 | 78,627 |
| 2006 | <u>75,000</u> | <u>4,463</u> | <u>79,463</u> |
| Total | <u>\$340,000</u> | <u>\$62,773</u> | <u>\$402,773</u> |

Fairland Local School District
Lawrence County

Notes to the General Purpose Financial Statements
June 30, 2001

Principal and interest requirements to retire Ohio School Facility Commission (OSFC) general obligation bonds outstanding at June 30, 2001, are as follows:

| Fiscal Year <u>Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|--------------------|--------------------|--------------------|
| 2002 | \$110,000 | \$185,085 | \$295,085 |
| 2003 | 115,000 | 180,780 | 295,780 |
| 2004 | 120,000 | 176,138 | 296,138 |
| 2005 | 125,000 | 171,175 | 296,175 |
| 2006 | 130,000 | 165,883 | 295,883 |
| 2007-2011 | 735,000 | 737,806 | 1,472,806 |
| 2012-2016 | 950,000 | 516,550 | 1,466,550 |
| 2017-2021 | 1,225,000 | 230,375 | 1,455,375 |
| 2021-2022 | <u>285,000</u> | <u>7,125</u> | <u>292,125</u> |
| Total | <u>\$3,795,000</u> | <u>\$2,370,917</u> | <u>\$6,165,917</u> |

Note 17 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

| | <u>Food Service</u> | <u>Uniform School Supplies</u> | <u>Total Enterprise Funds</u> |
|--|-------------------------|------------------------------------|-----------------------------------|
| Operating Revenues | \$158,071 | \$33,201 | \$191,272 |
| Depreciation | 1,694 | 0 | 1,694 |
| Operating Income (Loss) | (242,712) | (21,142) | (263,854) |
| Donated Commodities | 46,960 | 0 | 46,960 |
| Operating Grants | 172,334 | 0 | 172,334 |
| Interest Income | 119 | 0 | 119 |
| Operating Transfers-In | 0 | 22,500 | 22,500 |
| Net Income (Loss) | (23,300) | 1,359 | (21,941) |
| Net Working Capital | (19,686) | 735 | (18,951) |
| Total Assets | 70,178 | 735 | 70,913 |
| Long-Term Compensated Absences Payable | 14,396 | 0 | 14,396 |
| Total Equity | (13,947) | 735 | (13,212) |
| Encumbrances, June 30, 2001 | 0 | 45 | 45 |

**Fairland Local School District
Lawrence County**

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

Note 18 - Interfund Receivables/Payables

Interfund receivables and payables at June 30, 2001, consist of the following individual balances:

| | Interfund Receivable | Interfund Payable |
|---------------------|-------------------------|----------------------|
| General Fund | \$ 20,000 | \$ 0 |
| Enterprise Fund: | | |
| Food Service | 0 | 20,000 |
| Total All Funds | \$ 20,000 | \$ 20,000 |

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 20 - Set-Aside Calculations and Fund Reserves

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

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

**Fairland Local School District
Lawrence County**

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

| | <u>Budget Stabilization</u> | <u>Textbooks</u> | <u>Capital Acquisition</u> |
|--|---------------------------------|------------------|--------------------------------|
| Set-aside Cash Balance as of June 30, 2000 | \$102,319 | \$0 | \$34,970 |
| Current Year Set-aside Requirement | 0 | 189,374 | 189,374 |
| Reduction due to change in legislation | (58,859) | 0 | 0 |
| Offsets | 0 | 0 | (54,907) |
| Qualifying Disbursements | 0 | (189,374) | (138,958) |
| Required Set aside | <u>\$43,460</u> | <u>\$0</u> | <u>\$30,479</u> |
| Carry over to Fiscal Year 2002 | <u>\$43,460</u> | <u>\$0</u> | <u>\$30,479</u> |

Note 21 - School Funding Court Decision

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

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 20, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2001**

| Federal Grantor/ Pass Through Grantor Program Title | Pass-Through Entity's Number | Federal CFDA Number | Receipts | Noncash Receipts | Disbursements | Noncash Disbursements |
|--|------------------------------------|---------------------------|----------------------------|---------------------|-------------------|--------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: Food Distribution Program | N/A | 10.550 | \$ | \$51,498 | \$ | \$46,960 |
| National School Breakfast Program | LLP1-01 | 10.553 | 24,709 | | 24,709 | |
| National School Lunch Program | 04PU-99 | 10.555 | 119,490 | | 119,490 | |
| Total Nutrition Cluster | | | 144,199 | 51,498 | 144,199 | 46,960 |
| Total U.S. Department of Agriculture | | | 144,199 | 51,498 | 144,199 | 46,960 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Title I Grants to Local Educational Agencies | C1S1-00 C1S1-01 | 84.010 | 60,960 228,721 | | 75,465 211,620 | |
| Total Title I | | | 289,681 | 0 | 287,085 | 0 |
| Special Education Grants to States | 6BSF-99 6BSF-00 | 84.027 | 482 120,744 | | 12,176 108,981 | |
| Total Special Education Grants | | | 121,226 | 0 | 121,157 | 0 |
| Safe and Drug Free Schools and Communities - State Grants | DRS1-01 | 84.186 | 7,769 | | 7,769 | |
| Eisenhower Professional Development Education Grant | MSS1-00 MSS1-01 | 84.281 | 6,757 8,687 | | 7,275 0 | |
| Total Eisenhower Professional Development Grant | | | 15,444 | 0 | 7,275 | 0 |
| Innovative Educational Program Strategies-Title VI | C2S1-99 C2S1-01 | 84.298 | 1,184 9,272 | | 3,823 4,962 | |
| Total Innovative Educational Program Strategies- Title VI | | | 10,456 | 0 | 8,785 | 0 |
| Tech Literacy Challenge Grant | TF41-00 TF42-00 TF43-00 | 84.318 | 75,000 50,000 25,000 | | 135,499 | |
| Total Tech Literacy Challenge Grant | | | 150,000 | 0 | 135,499 | 0 |
| Classroom Reduction Funds (Title VIR) | CRS1-00 CRS1-01 | 84.340 | 15,439 54,773 | | 26,450 41,030 | |
| Total Classroom Reduction Funds (Title VIR) | | | 70,212 | | 67,480 | |
| Total U.S. Department of Education | | | 664,788 | 0 | 635,050 | 0 |
| Total Federal Awards Receipts and Expenditures | | | \$808,987 | \$51,498 | \$779,249 | \$46,960 |

The accompanying notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO 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 School 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 disbursed. Monies are commingled with the State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had \$14,363 in inventory.

NOTE C - MATCHING REQUIREMENTS

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



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

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

To The Board of Education:

We have audited the accompanying general purpose financial statements of the Fairland Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 20, 2001. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated December 20, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings are items 2001-10744-001, 2001-10744-002 and 2001-10744-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 20, 2001.

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

Jim Petro
Auditor of State

December 20, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 20, 2001

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 SECTION .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)? | Yes |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Educationally Deprived Children - Local Educational Agencies Title I CFDA # 84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 SECTION .505
JUNE 30, 2001
(Continued)**

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

FINDING NUMBER 2001-10744-001

Reportable Condition

The Business Club did not issue duplicate receipts or maintain accurate records supporting the amounts which were paid into the Treasurer's office for fund raising activities. This included funds which were received from individuals attending a field trip for which documentation was not maintained to indicate from whom funds were received. Although we were able to satisfy completeness by alternative procedures, this could result in an inability to account for amounts paid into the Treasurer's office.

We recommend that the Business Club issue duplicate receipts for all monies received and keep documentation to support amounts paid into the Treasurer's office.

FINDING NUMBER 2001-10744-002

Reportable Condition

During the fiscal year, the Business Club held fund raising activities in order to participate in a field trip to New York City. The Business Club Advisor wrote a \$1,000 personal check in order to pay for one of the invoices for the purchase of candy bars. The Advisor then deducted the money from the candy bar sales as it was received in order to be reimbursed for the \$1,000. The sponsor did not maintain any documentation to support the reimbursement. This could result in a potential loss to the School District.

We recommend that all disbursements be made by School District purchase orders which is certified by the Treasurer indicating that the amount required for the disbursement has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

FINDING NUMBER 2001-10744-003

Reportable Condition

A \$500 stipend was received by the Business Club Advisor from a travel vendor which was not paid into the School District. Although the Advisor has indicated that the funds were spent for the benefit of the students attending the field trip, documentation was not maintained to support expenditures made with the \$500 stipend. This could result in a potential loss to the School District.

We recommend that all funds received by School District employees be deposited with the School District.

3. FINDINGS FOR FEDERAL AWARDS

None.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 SECTION .315 (c)
JUNE 30, 2001**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 2001-10744-001 | The Treasurer has sent policies to all Principals and Activity Club Advisors. | June 30, 2002 | Tresa Baker, Treasurer |
| 2001-10744-002 | The Treasurer has sent policies to all Principals and Activity Club Advisors. | June 30, 2002 | Tresa Baker, Treasurer |
| 2001-10744-003 | The Treasurer has sent policies to all Principals and Activity Club Advisors. | June 30, 2002 | Tresa Baker, Treasurer |



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FAIRLAND LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2002**