

**FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW, 4th Floor
Canton, Ohio 44702

Telephone 330-438-0617
800-443-9272

Facsimile 330-471-0001

REPORT OF INDEPENDENT ACCOUNTANTS

Fairless Local School District
Stark County
11885 Navarre Road SW
Navarre, Ohio 44662

To the Board of Education:

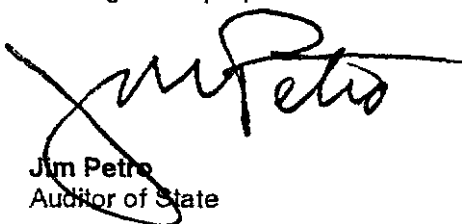
We have audited the accompanying general purpose financial statements of the Fairless Local School District, Stark County, (the District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



Jim Petro
Auditor of State

December 8, 1999

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FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY

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

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS
<u>Assets and Other Debits</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,383,295	\$ 236,832	\$ 98,505
Receivable (Net Allowances for Uncollectables)			
Taxes - Current	4,716,452	0	0
Taxes - Delinquent	179,278	0	0
Due from Other Governments	383	0	0
Inventory Held for Resale	0	0	0
Material and Supplies Inventory	0	0	0
Prepaid Items	1,656	0	0
Restricted Asset:			
Equity in Pooled Cash and Cash Equivalents	132,399	0	0
Fixed Assets (net of Accumulated Depreciation)	0	0	0
Amount to be provided for Retirement of General Long-Term Obligations	0	0	0
Total Assets and Other Debits	\$ 9,413,463	\$ 236,832	\$ 98,505

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

PROPRIETARY FUND TYPE	FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS (MEMO- RANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$ 257,485	\$ 40,039	\$ 0	\$ 0	\$ 5,016,156
0	0	0	0	4,716,452
0	0	0	0	179,278
18,721	0	0	0	19,104
17,764	0	0	0	17,764
2,450	0	0	0	2,450
0	0	0	0	1,656
0	0	0	0	132,399
60,702	0	7,145,894	0	7,206,596
0	0	0	498,734	498,734
<u>\$ 357,122</u>	<u>\$ 40,039</u>	<u>\$ 7,145,894</u>	<u>\$ 498,734</u>	<u>\$ 17,790,589</u>

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY

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

(Continued)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS
<u>Liabilities, Equity and Other Credits</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 19,725	\$ 15,060	\$ 0
Accrued Wages and Benefits	883,554	56,335	0
Compensated Absences Payable	7,460	0	0
Due to Other Governments	234,208	7,813	0
Due to Students	0	0	0
Deferred Revenues	4,655,817	0	0
	5,800,764	79,208	0
Total Liabilities			
<u>Equity and Other Credits</u>			
Investment in General Fixed Assets	0	0	0
Retained Earnings : Unreserved	0	0	0
Fund Balances:			
Reserved for Property Taxes	239,913	0	0
Reserved for Encumbrances	407,334	32,982	43,126
Reserved for Budget Stabilization	132,399	0	0
Reserved for Prepaid Items	1,656	0	0
Unreserved - Undesignated	2,831,397	124,642	55,379
	3,612,699	157,624	98,505
Total Equity and Other Credits			
Total Liabilities, Equity and Other Credits	\$ 9,413,463	\$ 236,832	\$ 98,505

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

PROPRIETARY FUND TYPE	FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS (MEMO- RANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$ 1,456	\$ 500	\$ 0	\$ 0	\$ 36,741
32,071	0	0	0	971,960
8,388	0	0	427,573	443,421
14,705	0	0	71,161	327,887
0	30,539	0	0	30,539
13,306	0	0	0	4,669,123
<u>69,926</u>	<u>31,039</u>	<u>0</u>	<u>498,734</u>	<u>6,479,671</u>
0	0	7,145,894	0	7,145,894
287,196	0	0	0	287,196
0	0	0	0	239,913
0	0	0	0	483,442
0	0	0	0	132,399
0	0	0	0	1,656
0	9,000	0	0	3,020,418
<u>287,196</u>	<u>9,000</u>	<u>7,145,894</u>	<u>0</u>	<u>11,310,918</u>
<u>\$ 357,122</u>	<u>\$ 40,039</u>	<u>\$ 7,145,894</u>	<u>\$ 498,734</u>	<u>\$ 17,790,589</u>

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Revenues				
Taxes	\$ 4,450,693	\$ 0	\$ 0	\$ 0
Earnings on Investments	265,778	0	0	0
Intergovernmental	5,328,647	622,639	0	285,237
Extracurricular Activities	0	139,130	0	0
Other Revenues	53,333	2,410	0	0
Total Revenues	10,098,451	764,179	0	285,237
Expenditures				
Instruction:				
Regular Instruction	4,389,611	62,378	0	38,489
Special Instruction	553,671	292,008	0	0
Vocational Instruction	116,806	0	0	0
Other Instruction	150,224	60,565	0	0
Support Services:				
Pupils	516,313	11,436	0	1,196
Instructional Staff	207,326	40,890	0	2,037
School Administration	954,642	84,395	0	0
Fiscal	321,624	0	0	0
Board of Education	11,342	0	0	0
Operations and Maintenance	910,074	0	0	0
Pupil Transportation	479,194	0	0	0
Central	8,480	10,453	0	0
Extracurricular Activities	164,887	900	0	0
Facilities Acquisition	213,866	0	0	312,248
Operation of Non-Instructional	0	174,251	0	8,974
Debt Service:				
Principal Retirement	0	0	254,293	0
Interest and Fiscal Charges	0	0	16,844	0
Total Expenditures	\$ 8,998,060	\$ 737,276	\$ 271,137	\$ 362,944

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

FIDUCIARY FUND TYPE		TOTALS
EXPENDABLE TRUST		(MEMORANDUM ONLY)
\$	0	\$ 4,450,693
	0	265,778
	0	6,236,523
	0	139,130
	0	55,743
	0	11,147,867
	0	4,490,478
	0	845,679
	0	116,806
	1,000	211,789
	0	528,945
	0	250,253
	0	1,039,037
	0	321,624
	0	11,342
	0	910,074
	0	479,194
	0	18,933
	0	165,787
	0	526,114
	0	183,225
	0	254,293
	0	16,844
\$	1,000	\$ 10,370,417

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 1,100,391	\$ 26,903	\$ (271,137)	\$ (77,707)
<u>Other Financing Sources/ (Uses)</u>				
Refund of Prior Year Expenditures	199	0	0	0
Operating Transfers In	8,572	0	271,137	0
Operating Transfers Out	(279,709)	0	0	0
Total Other Financing Sources/ (Uses)	(270,938)	0	271,137	0
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	829,453	26,903	0	(77,707)
FUND BALANCES - July 1, 1998	2,815,880	130,721	0	176,212
Decrease in Reserve for Inventory	(32,634)	0	0	0
FUND BALANCES - June 30, 1999	\$ 3,612,699	\$ 157,624	\$ 0	\$ 98,505

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

FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)
<u>\$ (1,000)</u>	<u>\$ 777,450</u>
0	199
0	279,709
<u>0</u>	<u>(279,709)</u>
<u>0</u>	<u>199</u>
(1,000)	777,649
10,000	3,132,813
<u>0</u>	<u>(32,634)</u>
<u>\$ 9,000</u>	<u>\$ 3,877,828</u>

**FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Revenues			
Taxes	\$ 4,427,927	\$ 4,427,927	\$ 0
Earnings on Investments	265,778	265,778	0
Extracurricular Activities	0	0	0
Intergovernmental	5,336,346	5,336,346	0
Other Revenues	54,938	54,938	0
Total Revenues	10,084,989	10,084,989	0
Expenditures			
Instruction:			
Regular Instruction	4,330,168	4,330,168	0
Special Instruction	593,065	593,065	0
Vocational Instruction	114,858	114,858	0
Other Instruction	353,804	353,804	0
Support Services:			
Pupils	528,099	528,099	0
Instructional Staff	204,542	204,542	0
Board of Education	10,990	10,990	0
School Administration	939,245	939,245	0
Fiscal	318,229	318,229	0
Operations and Maintenance	989,294	989,294	0
Pupil Transportation	536,035	536,035	0
Central	11,002	11,002	0
Operation of Non-Instructional	0	0	0
Extracurricular Activities	157,887	157,887	0
Facilities Acquisition	231,556	231,556	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	\$ 9,318,774	\$ 9,318,774	\$ 0

The notes 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)	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0	0
139,130	139,130	0	0	0	0	0	0
622,639	622,639	0	0	0	0	0	0
2,410	2,410	0	0	0	0	0	0
764,179	764,179	0		0	0	0	0
62,012	62,012	0	0	0	0	0	0
292,147	292,147	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
11,620	11,620	0	0	0	0	0	0
42,548	42,548	0	0	0	0	0	0
0	0	0	0	0	0	0	0
81,451	81,451	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
10,015	10,015	0	0	0	0	0	0
171,345	171,345	0	0	0	0	0	0
94,626	94,626	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	254,293	254,293	0	0
0	0	0	0	16,844	16,844	0	0
\$ 765,764	\$ 765,764	\$ 0		\$ 271,137	\$ 271,137	\$ 0	

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY

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

(Continued)

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 766,215	\$ 766,215	\$ 0
<u>Other Financing Sources/ (Uses)</u>			
Refund of Prior Year Expenditures	1,333	1,333	0
Advances In	500,000	500,000	0
Advances Out	0	0	0
Operating Transfers In	8,572	8,572	0
Operating Transfers Out	(279,709)	(279,709)	0
Total Other Financing Sources/ (Uses)	230,196	230,196	0
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	996,411	996,411	0
FUND BALANCES - July 1, 1998	2,700,762	2,700,762	0
Prior Year Carryover Encumbrances	409,249	409,249	0
FUND BALANCES - June 30, 1999	\$ 4,106,422	\$ 4,106,422	\$ 0

The notes 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)	
\$ (1,585)	\$ (1,585)	\$ 0		\$ (271,137)	\$ (271,137)	\$ 0	
0	0	0		0	0	0	
0	0	0		0	0	0	
0	0	0		0	0	0	
0	0	0		271,137	271,137	0	
0	0	0		0	0	0	
0	0	0		271,137	271,137	0	
(1,585)	(1,585)	0		(0)	(0)	0	
181,505	181,505	0		0	0	0	
9,246	9,246	0		0	0	0	
\$ 189,166	\$ 189,166	\$ 0		\$ 0	\$ 0	\$ 0	

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY

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

(Continued)

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Earnings on Investments	0	0	0
Extracurricular Activities	0	0	0
Intergovernmental	285,237	285,237	0
Other Revenues	0	0	0
Total Revenues	285,237	285,237	0
Expenditures			
Instruction:			
Regular Instruction	81,289	81,289	0
Special Instruction	0	0	0
Vocational Instruction	0	0	0
Other Instruction	0	0	0
Support Services:			
Pupils	1,774	1,774	0
Instructional Staff	2,037	2,037	0
Board of Education	0	0	0
School Administration	0	0	0
Fiscal	0	0	0
Operations and Maintenance	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional	8,989	8,989	0
Extracurricular Activities	0	0	0
Facilities Acquisition	392,611	392,611	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	\$ 486,700	\$ 486,700	\$ 0

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

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)			
REVISED			VARIANCE	REVISED			VARIANCE
BUDGET	ACTUAL		FAVORABLE / (UNFAVORABLE)	BUDGET	ACTUAL		FAVORABLE / (UNFAVORABLE)
\$ 0	\$ 0	\$ 0	0	\$ 4,427,927	\$ 4,427,927	\$ 0	0
0	0	0	0	265,778	265,778	0	0
0	0	0	0	139,130	139,130	0	0
0	0	0	0	6,244,221	6,244,221	0	0
0	0	0	0	57,348	57,348	0	0
0	0	0	0	11,134,405	11,134,405	0	0
0	0	0	0	4,473,469	4,473,469	0	0
0	0	0	0	885,212	885,212	0	0
0	0	0	0	114,858	114,858	0	0
0	0	0	0	353,804	353,804	0	0
0	0	0	0	541,493	541,493	0	0
0	0	0	0	249,127	249,127	0	0
0	0	0	0	10,990	10,990	0	0
0	0	0	0	1,020,696	1,020,696	0	0
0	0	0	0	318,229	318,229	0	0
0	0	0	0	989,294	989,294	0	0
0	0	0	0	536,035	536,035	0	0
0	0	0	0	21,017	21,017	0	0
1,000	1,000	0	0	181,334	181,334	0	0
0	0	0	0	252,514	252,514	0	0
0	0	0	0	624,167	624,167	0	0
0	0	0	0	254,293	254,293	0	0
0	0	0	0	16,844	16,844	0	0
\$ 1,000	\$ 1,000	\$ 0	0	\$ 10,843,375	\$ 10,843,375	\$ 0	0

**FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

(Continued)

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (201,463)	\$ (201,463)	\$ 0
<u>Other Financing Sources/ (Uses)</u>			
Refund of Prior Year Expenditures	0	0	0
Advances In	0	0	0
Advances Out	(500,000)	(500,000)	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources/ (Uses)	(500,000)	(500,000)	0
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(701,463)	(701,463)	0
FUND BALANCES - July 1, 1998	307,022	307,022	0
Prior Year Carryover Encumbrances	449,820	449,820	0
FUND BALANCES - June 30, 1999	\$ 55,379	\$ 55,379	\$ 0

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

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)			
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)		REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	
\$ (1,000)	\$ (1,000)	\$ 0		\$ 291,030	\$ 291,030	\$ 0	
0	0	0		1,333.00	1,333	0	
0	0	0		500,000	500,000	0	
0	0	0		(500,000)	(500,000)	0	
0	0	0		279,709	279,709	0	
0	0	0		(279,709)	(279,709)	0	
0	0	0		1,333	1,333	0	
(1,000)	(1,000)	0		292,363	292,363	0	
10,000	10,000	0		3,199,289	3,199,289	0	
0	0	0		868,315	868,315	0	
\$ 9,000	\$ 9,000	\$ 0		\$ 4,359,967	\$ 4,359,967	\$ 0	

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FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

	<u>ENTERPRISE</u> <u>FUNDS</u>
<u>Operating Revenues</u>	
Food Services	\$ 355,534
Classroom Materials and Fees	52,579
Total Operating Revenues	<u>408,113</u>
<u>Operating Expenses</u>	
Salaries	194,522
Fringe Benefits	49,713
Materials and Supplies	227,097
Purchased Services	16,574
Depreciation	6,249
Other Operating Expenses	25
Total Operating Expenses	<u>494,180</u>
Operating (Loss)	(86,067)
<u>Nonoperating Revenues</u>	
Intergovernmental Revenue	129,552
Miscellaneous Revenue	27
Interest	424
Total Nonoperating Revenues	<u>130,003</u>
Net Income	43,936
Retained Earnings - July 1, 1998	<u>243,260</u>
Retained Earnings - June 30, 1999	<u>\$ 287,196</u>

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

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FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

	<u>ENTERPRISE FUNDS</u>
<u>Cash Flows from Operating Activities</u>	
Operating (Loss)	\$ (86,067)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used By) Operating Activities:	
Depreciation Expense	6,249
<i>(Increase) Decrease in Assets:</i>	
Due from Other Governments	(18,331)
Material and Supplies Inventory	257
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(905)
Accrued Wages and Benefits	1,609
Compensated Absences Payable	4,720
Deferred Revenues	(798)
Due to Other Governments	(2,712)
Total Adjustments	<u>(9,911)</u>
Net cash (used by) operating activities	(95,978)
<u>Cash Flows from Noncapital Financing Activities</u>	
Intergovernmental Revenue	129,552
Interest	424
Miscellaneous Revenue	27
Net cash provided by noncapital financing activities	<u>130,003</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital Asset Acquisition	<u>(13,862)</u>
Net Cash used in Capital and Related Financing Activities	<u>(13,862)</u>
Net increase in cash and cash equivalents	20,163
Cash and Cash Equivalents - July 1, 1998	<u>237,322</u>
Cash and Cash Equivalents - June 30, 1999	<u>\$ 257,485</u>

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

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FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. Description of the School District and Reporting Entity

The Fairless Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a five-member board of education (the Board) elected by its citizens. The Board controls the District's five school buildings, bus garage, warehouse, and administration building staffed by administrators, teachers, and non-certified personnel providing educational opportunities to its students.

The Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the District are not misleading.

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally entitled to or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District is associated with organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), Stark County Area Vocational School, Stark County Schools Council of Governments Health Benefits Program and the Stark County Schools Council of Governments Workers' Compensation Program. These organizations are presented in Notes 9 and 13 to the general purpose financial statements.

The following organizations are not part of the reporting entity and are excluded from the accompanying financial statements:

St. Clement School - Within the District's boundaries, non-public schools are operated by religious organizations. Current state legislation provides funding to these schools. The monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District. The accounting for these school operations is reflected as part of the District's Special Revenue Funds.

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies

The financial statements of the Fairless Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as it applies to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting, the District has elected not to apply Financial Accounting Standards Board (FASB) Statements and interpretations issued after November 30, 1989, to its proprietary activities.

The District's significant accounting policies are described below.

A. Basis of Presentation

Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available resources. For financial statement presentation purposes, the various funds of the 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 District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

General Fund

The General Fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

Proprietary Fund Types

Proprietary Funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's Proprietary Fund type:

Enterprise Funds

Enterprise Funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs 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.

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Fiduciary Fund Types

Fiduciary Funds are used to account for assets not owned by the District, but held for a separate entity.

Expendable Trust Fund - to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Expendable Trust Fund is accounted for in essentially the same manner as the Governmental Funds.

Agency Funds - to account for assets held by the District as an agent. Agency Funds are custodial in nature (Assets equal Liabilities) and do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the 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 District except those accounted for in the Proprietary Funds.

B. Measurement Focus and Basis of Accounting

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The Proprietary Fund's operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of Accounting

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

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

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

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

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

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

C. Budgetary Process

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

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

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 Stark County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the 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 District

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund 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 other than agency funds, consistent with statutory provisions.

Encumbrances

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

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to repurchase agreements and STAR Ohio.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest credited to the general fund during fiscal year 1999 amounted to \$265,778 which includes \$31,893 assigned from other District funds.

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

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

E. Inventory

Inventories are valued at cost (first in, first out) and are determined by physical count. Inventory in Proprietary Funds consist of expendable supplies held for consumption and food service items held for resale. The cost has been recorded as an expense at the time individual inventory items were consumed.

F. Restricted Assets

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

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 the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in those funds. 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 District maintains a capitalization threshold of \$500. The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the Enterprise Fund is computed using the straight-line method over an estimated useful lives of eight to twenty years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. The District currently participates in various state and federal programs categorized as follows:

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

H. Intergovernmental Revenues (Continued)

Entitlements

General Fund

State Foundation Program

School Bus Purchase Program

Special Revenue Fund

Textbook and Instructional Materials

Nonreimbursable Grants

Special Revenue Funds

Drug Free Grant

Title I

Title VI

Title VI-B Flow Through

Capital Project Funds

Ohio School Facilities Grant

Reimbursable Grants

General Fund

Driver Education Reimbursement

Special Revenue Fund

Vocational Education Equipment Fund

Enterprise Fund

National School Lunch Program

School Breakfast Program

Grants and entitlements amounted to approximately 56 percent of the District's operating revenue during the 1999 fiscal year.

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. 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 District has identified as probable of receiving payment in the future, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for both classified and certified employees once they come within 3 years of meeting the eligibility requirements for retirement from one of the State retirement systems. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees 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, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the

General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities of those 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

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

K. Interfund Transactions (Continued)

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

L. Fund Balance Reserves

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

M. 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.

N. Total Columns on General Purpose Financial Statements

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

3. Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis).

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

3. Budgetary Basis of Accounting (Continued)

2. Expenditures are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditure equivalents for all funds (Budgetary basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the Budgetary and GAAP basis statements by fund type.

Excess (Deficit) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses

	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	\$ 996,411	\$ (1,585)	\$(701,463)	\$(1,000)
Adjustments for Revenue Accruals	12,327	-	500,000	-
Adjustments for Expenditure Accruals	(589,558)	(19,176)	80,630	-
Adjustments for Encumbrances	<u>410,273</u>	<u>47,664</u>	<u>43,126</u>	-
GAAP Basis	<u>\$ 829,453</u>	<u>\$ 26,903</u>	<u>\$(77,707)</u>	<u>\$(1,000)</u>

The Debt Service Fund was not reflected in this presentation as its basis was zero under both the Budgetary and GAAP bases.

4. Deposits and Investments

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no 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.

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

4. Deposits and Investments (Continued)

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

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

Interim monies may be invested in the following securities:

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

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

4. Deposits and Investments (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, 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 year end, the carrying amount of the District's deposits was \$16,598 and the bank balance was \$93,230. Of the bank balance, all was covered by federal depository insurance.

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

	<u>Category</u> <u>3</u>	<u>Carrying</u> <u>Value</u>	<u>Fair</u> <u>Value</u>
Repurchase Agreements	\$303,676	\$ 303,676	\$ 303,676
STAR Ohio	-	4,828,281	4,828,281
Total Investments	<u>\$303,676</u>	<u>\$5,131,957</u>	<u>\$5,131,957</u>

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

4. Deposits and Investments (Continued)

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

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$5,148,555	\$0
Investments which are part of the cash management pool:		
Repurchase Agreement	(303,676)	303,676
STAR OHIO	<u>(4,828,281)</u>	<u>4,828,281</u>
	<u>\$16,598</u>	<u>\$5,131,957</u>

5. Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied after April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

5. Property Taxes (Continued)

The District receives property taxes from Stark and Tuscarawas Counties. These County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 1999, was \$239,913 to the general fund.

6. Fixed Assets

A summary of the changes in the General Fixed Asset Account Group during the fiscal year is as follows:

	Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Land and Land Improvements	\$ 87,282	\$ -	\$ -	\$ 87,282
Buildings and Building Improvements	3,360,626	537,971	-	3,898,597
Furniture, Fixtures, And Equipment	1,955,319	169,334	41,459	2,083,194
Vehicles	<u>1,077,887</u>	<u>34,189</u>	<u>35,255</u>	<u>1,076,821</u>
Totals	<u>\$6,481,114</u>	<u>\$741,494</u>	<u>\$76,714</u>	<u>\$ 7,145,894</u>

A summary of the Enterprise Funds' fixed assets at June 30, 1999 is as follows:

	Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Furniture, Fixtures, and Equipment	\$ 174,069	\$13,862	\$ -	\$ 187,931
Less: Accumulated Depreciation	<u>(120,980)</u>	<u>(6,249)</u>	<u>-</u>	<u>(127,229)</u>
Net Fixed Assets	<u>\$ 53,089</u>	<u>\$ 7,613</u>	<u>\$ -</u>	<u>\$ 60,702</u>

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

7. Long-Term Debt and Other Obligations

Long-term debt and other obligations at June 30, 1999 and the related transactions for the year are summarized as follows:

	<u>General Long-Term Obligations Account Group</u>			
	Balance 7/1/98	Additions	Reductions	Balance 6/30/99
General Obligation Notes Payable	\$ 254,756	\$ -	\$ 254,756	\$ -
Compensated Absences Payable	363,830	63,743	-	427,573
Due to Other Governments	<u>70,566</u>	<u>71,161</u>	<u>70,566</u>	<u>71,161</u>
Total	<u>\$689,152</u>	<u>\$134,904</u>	<u>\$325,322</u>	<u>\$498,734</u>

8. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 268 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 62 days for both classified employees and certified employees.

9. Risk Management

Comprehensive - The 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. During fiscal year 1999, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by these carriers is as follows:

Building and Contents-replacement cost - \$27,573,746 (\$5,000 deductible)

Inland Marine Coverage - \$705,000 (\$100 deductible)

Automobile Liability - \$1,000,000 (\$500 deductible - Comprehensive)
(\$250 deductible - Collision)

Uninsured Motorists - \$1,000,000

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

9. Risk Management (Continued)

General Liability - \$2,000,000/ \$5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers Compensation - For fiscal year 1999, the District participated in a program with the Stark County Schools Council of Governments to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience of each of the participating school districts is calculated as one experience rate and applied to all participants in the program. Each participant pays its workers' compensation premium to the State's Bureau of Workers' Compensation based on this calculation. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the program. A participant will then either receive money from or be required to contribute to the program. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to school districts that can meet its selection criteria.

Self-Insurance - The District is a participant in the Stark County Schools Council of Governments (COG) for the purpose of obtaining benefits at a reduced premium for health care. The program for healthcare is administered by Mutual Health Services Company. Payments are made to the Stark County Schools Council of Governments for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal officer of the COG is the Stark County Educational Service Center. The Treasurer of the Stark County Educational Service Center pays Mutual Health Services monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

10. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

10. Defined Benefit Pension Plans (Continued)

A. School Employees Retirement System (Continued)

was used to fund 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$182,612, \$174,112, and \$163,830, respectively; 51% has been contributed for the fiscal year 1999 and 100% for fiscal years 1998 and 1997. \$90,204 representing the unpaid contribution for the fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District also 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 43215-3771.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$639,507, \$593,699, and \$603,996, respectively; 82% has been contributed for the fiscal year 1999 and 100% for the fiscal years 1998 and 1997. \$112,920 representing the unpaid contribution for the fiscal year 1999, is recorded as a liability within the respective funds.

11. Post Employment Benefits

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

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

11. Post Employment Benefits (Continued)

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

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employers' contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$64,955.

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

12. Segment Information For Enterprise Funds

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999.

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

12. Segment Information For Enterprise Funds (Continued)

	Food Service	School Supplies	Adult Education	Total
Operating Revenues	\$355,534	\$52,579	\$ -	\$408,113
Operating Expenses				
Before Depreciation	436,260	51,528	143	487,931
Depreciation Expense	6,249	-	-	6,249
Operating Income (Loss)	(86,975)	1,051	(143)	(86,067)
Nonoperating Revenues	129,976	-	27	130,003
Net Income (Loss)	43,001	1,051	(116)	43,936
Fixed Assets Additions	13,862	-	-	13,862
Net Working Capital	180,408	43,836	2,252	226,496
Total Assets	310,069	44,801	2,252	357,122
Total Equity	241,108	43,836	2,252	287,196

13. Jointly Governed Organizations

The District is a member of the Stark-Portage Area Computer Consortium (SPARCC), a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage counties. Each District's superintendent serves as a representative on the Board which consists of approximately 33 member districts. However, SPARCC is primarily governed by a five member executive Board which is made up of two representatives from Stark County, two from Portage County, and a Treasurer.

The Stark County Area Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board, consisting of one representative from each of the six participating district's boards and one board member that rotates from each participating district. The Stark County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Stark County Joint Vocational School, 6805 Richville Drive, S.W., Massillon, Ohio 44646.

14. Operating Leases

At June 30, 1999, the District was party to a lease for copy equipment with the Xerox Corporation. The remaining obligation on the lease is as follows:

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

14. Operating Leases (Continued)

Year Ended	<u>Amount</u>
<u>June 30</u>	
2000	\$18,777
2001	18,777
2002	18,777
2003	18,777
2004	<u>14,082</u>
Total	<u>\$89,190</u>

15. Contingencies and Commitments

Federal Assistance

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

School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$4,711,112 of school foundation support for its General Fund, and \$4,726,233 in total (all funds) support.

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

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

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

15. Contingencies and Commitments (Continued)

Contractual Commitments

As of June 30, 1999, the District had the following contractual purchase commitments:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Fund</u>
Stark Glass Enterprise	\$ 17,690	General
Stark County Educational Service Center	42,350	Capital Projects

16. Year 2000 Issue

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

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Educational Management and Information System (EMIS)).

The District utilizes an external service organization for its financial, payroll and employee benefit systems. The external service organization in turn uses the State of Ohio Uniform School Accounting System software for its financial reporting and the State of Ohio Staff Payroll System software for its payroll and employee benefits. As of June 30, 1999, these systems have been assessed, remediated and tested and validated.

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

Stark and Tuscarawas Counties collect property taxes for distribution to the District. Stark and Tuscarawas Counties are responsible for remediating their tax collection systems.

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

FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

17. Set-Asides

The District is required by State statute to annually set aside in the general fund an amount base 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 spend 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 District is also required to set aside money for budget stabilization. Set-aside requirements for fiscal year 1999 are as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Cash Balance as of June 30, 1998	\$0	\$0	\$50,600	\$50,600
Current Year Set-Aside Requirement	163,598	163,598	81,799	408,995
Qualifying Disbursements	(164,764)	(173,336)	0	338,100
Total	<u>(\$1,166)</u>	<u>(\$9,738)</u>	<u>\$132,399</u>	
Set-aside Cash Balance as of June 30, 1999	<u>\$0</u>	<u>\$0</u>	<u>\$132,399</u>	
Total Restricted Assets				<u>\$132,399</u>

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

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**FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	Not Applicable	10.550	\$0	\$41,693	\$0	\$42,491
School Breakfast Program	Not Applicable	10.553	894	0	894	0
National School Lunch Program	Not Applicable	10.555	109,580	0	109,580	0
Total U.S. Department of Agriculture - Nutrition Cluster			110,474	41,693	110,474	42,491
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Grants to States	049941-6B-SF	84.027	108,272	0	94,800	0
Title 1 Grants to Local Educational Agencies	049941-C1-S1	84.010	344,275	0	313,662	0
Eisenhower Professional Development State Grants	049941-MS-S4	84.281	0	0	442	0
Innovative Education Program Strategies	049941-C2-S1	84.298	7,764	0	5,802	0
Safe and Drug Free Schools and Communities State Grants	049941-DR-S1	84.186	9,998	0	4,988	0
Telecommunications Act Grant	Not Applicable	84.XXX	6,499	0	6,499	0
Total Department of Education			476,808	0	426,193	0
Totals			\$587,282	\$41,693	\$536,667	\$42,491

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

**FAIRLESS LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

NOTE A - Significant Accounting Policies

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

NOTE B - Food Distribution

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW, 4th Floor
Canton, Ohio 44702

Telephone 330-438-0617
800-443-9272

Facsimile 330-471-0001

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

Fairless Local School District
Stark County
11885 Navarre Road SW
Navarre, Ohio 44662

To the Board of Education:

We have audited the general purpose financial statements of the Fairless Local School District, Stark County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 8, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 8, 1999.

Fairless Local School District
Stark County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management, 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 8, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW, 4th Floor
Canton, Ohio 44702

Telephone 330-438-0617
800-443-9272

Facsimile 330-471-0001

**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**

Fairless Local School District
Stark County
11885 Navarre Road SW
Navarre, Ohio 44662

To The Board of Education:

Compliance

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

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

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

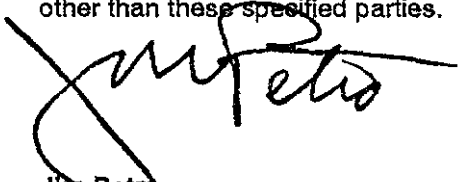
Internal Control Over Compliance

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

Fairless Local School District
Stark County
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
Page 2

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

This report is intended for the information and use of management, 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 8, 1999

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

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW, 4th Floor
Canton, Ohio 44702

Telephone 330-438-0617
800-443-9272

Facsimile 330-471-0001

FAIRLESS LOCAL SCHOOL DISTRICT, STARK 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

By: _____
Clerk of the Bureau

Date: **JAN 11 2000** _____