



**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups As of June 30, 2000	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types As of June 30, 2000	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Budgetary Basis) - All Governmental Fund Types As of June 30, 2000	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Proprietary Fund Type As of June 30, 2000	14
Combined Statement of Revenues, Expenses and Changes in Fund Equity Budget and Actual (Budget Basis) - Proprietary Fund Type As of June 30, 2000	15
Combined Statement of Cash Flows - Proprietary Fund Type As of June 30, 2000	16
Notes to the General Purpose Financial Statements	17
Schedule of Federal Awards Receipts and Expenditures	45
Notes to Schedule of Federal Awards Receipts and Expenditures	46
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	47
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	49
Schedule of Findings	51

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Fairland Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairland Local School District, Lawrence County, as of June 30, 2000, 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 13, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 13, 2000

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**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,860,257	\$368,260	\$334,123	\$6,485,148
Receivables:				
Property Taxes	1,962,629	49,067	345,423	0
Intergovernmental	13,416	0	0	0
Due from Other Funds	55,500	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	18,900	0	0	0
Prepaid Items	80,276	4,328	0	0
Restricted Assets:				
Cash and Cash Equivalents	137,289	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$5,128,267	\$421,655	\$679,546	\$6,485,148

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$80,137	\$10,637	\$0	\$0	\$10,138,562
0	0	0	0	2,357,119
0	0	0	0	13,416
0	0	0	0	55,500
10,993	0	0	0	10,993
207	0	0	0	19,107
2,507	0	0	0	87,111
0	0	0	0	137,289
21,829	0	10,205,389	0	10,227,218
0	0	0	350,707	350,707
0	0	0	4,678,949	4,678,949
\$115,673	\$10,637	\$10,205,389	\$5,029,656	\$28,075,971

(Continued)

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$50,495	\$10,515	\$0	\$0
Accrued Wages and Benefits Payable	946,382	136,829	0	0
Compensated Absences Payable	26,891	27,293	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payable	157,270	7,754	0	0
Deferred Revenue	1,868,401	46,711	328,839	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>3,049,439</u>	<u>229,102</u>	<u>328,839</u>	<u>0</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved Deficit	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	330,895	10,689	0	26,436
Reserved for Inventory	18,900	0	0	0
Reserved for Property Taxes	61,721	1,543	10,863	0
Reserved for Budget Stabilization	102,319	0	0	0
Reserved for Capital Acquisition	34,970	0	0	0
Unreserved, Undesignated	<u>1,530,023</u>	<u>180,321</u>	<u>339,844</u>	<u>6,458,712</u>
Total Fund Equity and Other Credits	<u>2,078,828</u>	<u>192,553</u>	<u>350,707</u>	<u>6,485,148</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,128,267</u>	<u>\$421,655</u>	<u>\$679,546</u>	<u>\$6,485,148</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$806	\$0	\$0	\$0	\$61,816
25,245	0	0	0	1,108,456
403	0	0	633,073	687,660
55,500	0	0	0	55,500
4,392	0	0	91,583	260,999
5,253	0	0	0	2,249,204
0	10,637	0	0	10,637
0	0	0	4,305,000	4,305,000
91,599	10,637	0	5,029,656	8,739,272
0	0	10,205,389	0	10,205,389
204,592	0	0	0	204,592
(180,518)	0	0	0	(180,518)
0	0	0	0	368,020
0	0	0	0	18,900
0	0	0	0	74,127
0	0	0	0	102,319
0	0	0	0	34,970
0	0	0	0	8,508,900
24,074	0	10,205,389	0	19,336,699
\$115,673	\$10,637	\$10,205,389	\$5,029,656	\$28,075,971

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**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$1,795,936	\$44,899	\$316,084	\$0	\$2,156,919
Intergovernmental	6,551,812	1,030,664	48,572	2,202,797	9,833,845
Interest	193,250	0	0	260,643	453,893
Tuition and Fees	10,748	0	0	0	10,748
Rent	1,800	0	0	0	1,800
Extracurricular Activities	0	220,574	0	0	220,574
Gifts and Donations	0	7,866	0	0	7,866
Miscellaneous	31,758	0	0	0	31,758
Total Revenues	8,585,304	1,304,003	364,656	2,463,440	12,717,403
Expenditures:					
Current:					
Instruction					
Regular	3,969,870	746,270	0	16,037	4,732,177
Special	923,499	271,156	0	0	1,194,655
Vocational	63,311	0	0	0	63,311
Other	1,693	0	0	0	1,693
Support Services					
Pupils	336,581	56,475	0	0	393,056
Instructional Staff	194,921	76,311	0	0	271,232
Board of Education	70,009	0	0	0	70,009
Administration	706,426	0	0	0	706,426
Fiscal	325,056	0	0	0	325,056
Business	0	98,531	0	0	98,531
Operation and Maintenance of Plant	783,168	7,172	0	0	790,340
Pupil Transportation	583,616	0	0	0	583,616
Extracurricular Activities	107,028	71,041	0	0	178,069
Capital Outlay	91,600	0	0	635,655	727,255
Debt Service					
Principal Retirement	0	0	4,160,000	0	4,160,000
Interest and Fiscal Charges	0	0	285,666	0	285,666
Total Expenditures	8,156,778	1,326,956	4,445,666	651,692	14,581,092
Excess of Revenues Over (Under) Expenditures	428,526	(22,953)	(4,081,010)	1,811,748	(1,863,689)
Other Financing Sources (Uses):					
Operating Transfers In	0	120,000	0	0	120,000
Proceeds From Sale of Fixed Assets	5,250	0	0	0	5,250
Operating Transfers Out	(132,000)	0	0	0	(132,000)
Total Other Financing Sources (Uses)	(126,750)	120,000	0	0	(6,750)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	301,776	97,047	(4,081,010)	1,811,748	(1,870,439)
Fund Balances at Beginning of Year	1,769,426	95,686	4,431,717	4,673,400	10,970,229
Increase in Reserve for Inventory	7,626	(180)	0	0	7,446
Fund Balances at End of Year	\$2,078,828	\$192,553	\$350,707	\$6,485,148	\$9,107,236

See accompanying notes to the general purpose financial statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACUTAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$1,946,431	\$1,933,569	(\$12,862)
Intergovernmental	6,551,969	6,551,969	0
Interest	193,465	193,466	1
Tuition and Fees	10,748	10,748	0
Rent	1,800	1,800	0
Extracurricular Activities	0	0	0
Miscellaneous	18,342	18,342	0
Total Revenues	8,722,755	8,709,894	(12,861)
Expenditures:			
Current:			
Instruction			
Regular	4,182,737	4,048,497	134,240
Special	954,773	919,842	34,931
Vocational	65,663	65,432	231
Other	3,526	3,526	0
Support Services			
Pupils	345,117	344,456	661
Instructional Staff	236,421	224,858	11,563
Board of Education	66,763	66,710	53
Administration	708,084	702,913	5,171
Fiscal	325,261	322,986	2,275
Business	0	0	0
Operation and Maintenance of Plant	800,855	791,540	9,315
Pupil Transportation	735,047	728,162	6,885
Extracurricular Activities	109,343	107,116	2,227
Capital Outlay	115,758	115,758	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	8,649,348	8,441,796	207,552
Excess of Revenues Over (Under) Expenditures	73,407	268,098	194,691
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Proceeds from the Sale of Fixed Assets	5,250	5,250	0
Advances In	35,000	35,000	0
Operating Transfers Out	(132,000)	(132,000)	0
Advances Out	(55,500)	(55,500)	0
Total Other Financing Sources (Uses)	(147,250)	(147,250)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(73,843)	120,848	194,691
Fund Balances at Beginning of Year	2,232,724	2,232,724	0
Prior Year Encumbrances Appropriated	281,956	281,956	0
Fund Balances at End of Year	\$2,440,837	\$2,635,528	\$194,691

(Continued)

See accompanying notes to the general purpose financial statements.

Special Revenue Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$48,339	\$48,339	\$0
1,055,664	1,055,664	0
0	0	0
0	0	0
0	0	0
220,714	221,466	752
7,866	7,866	0
<u>1,332,583</u>	<u>1,333,335</u>	<u>752</u>
720,519	716,543	3,976
283,450	283,450	0
0	0	0
0	0	0
43,369	43,369	0
75,421	73,686	1,735
0	0	0
0	0	0
0	0	0
101,938	97,231	4,707
7,172	7,172	0
0	0	0
78,693	76,349	2,344
0	0	0
0	0	0
0	0	0
<u>1,310,562</u>	<u>1,297,800</u>	<u>12,762</u>
<u>22,021</u>	<u>35,535</u>	<u>13,514</u>
120,000	120,000	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>120,000</u>	<u>120,000</u>	<u>0</u>
142,021	155,535	13,514
162,198	162,198	0
34,092	34,092	0
<u>\$338,311</u>	<u>\$351,825</u>	<u>\$13,514</u>

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$0	\$0	\$0
Intergovernmental	2,176,237	2,202,797	26,560
Interest	259,330	260,643	1,313
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
Total Revenues	2,435,567	2,463,440	27,873
Expenditures:			
Current:			
Instruction			
Regular	4,798	16,037	(11,239)
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	680,000	662,091	17,909
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	684,798	678,128	6,670
Excess of Revenues Over (Under) Expenditures	1,750,769	1,785,312	34,543
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Proceeds from the Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,750,769	1,785,312	34,543
Fund Balances at Beginning of Year	4,574,523	4,574,523	0
Prior Year Encumbrances Appropriated	98,877	98,877	0
Fund Balances at End of Year	\$6,424,169	\$6,458,712	\$34,543

(Continued)

Debt Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$340,308	\$340,308	\$0	\$2,335,078	\$2,322,216	(\$12,862)
48,572	48,572	0	9,832,442	9,859,002	26,560
0	0	0	452,795	454,109	1,314
0	0	0	10,748	10,748	0
0	0	0	1,800	1,800	0
0	0	0	220,714	221,466	752
0	0	0	26,208	26,208	0
<u>388,880</u>	<u>388,880</u>	<u>0</u>	<u>12,879,785</u>	<u>12,895,549</u>	<u>15,764</u>
0	0	0	4,908,054	4,781,077	126,977
0	0	0	1,238,223	1,203,292	34,931
0	0	0	65,663	65,432	231
0	0	0	3,526	3,526	0
0	0	0	388,486	387,825	661
0	0	0	311,842	298,544	13,298
0	0	0	66,763	66,710	53
0	0	0	708,084	702,913	5,171
0	0	0	325,261	322,986	2,275
0	0	0	101,938	97,231	4,707
0	0	0	808,027	798,712	9,315
0	0	0	735,047	728,162	6,885
0	0	0	188,036	183,465	4,571
0	0	0	795,758	777,849	17,909
4,160,000	4,160,000	0	4,160,000	4,160,000	0
287,691	285,666	2,025	287,691	285,666	2,025
<u>4,447,691</u>	<u>4,445,666</u>	<u>2,025</u>	<u>15,092,399</u>	<u>14,863,390</u>	<u>229,009</u>
<u>(4,058,811)</u>	<u>(4,056,786)</u>	<u>2,025</u>	<u>(2,212,614)</u>	<u>(1,967,841)</u>	<u>244,773</u>
0	0	0	120,000	120,000	0
0	0	0	5,250	5,250	0
0	0	0	35,000	35,000	0
0	0	0	(132,000)	(132,000)	0
0	0	0	(55,500)	(55,500)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>(27,250)</u>	<u>(27,250)</u>	<u>0</u>
(4,058,811)	(4,056,786)	2,025	(2,239,864)	(1,995,091)	244,773
4,390,908	4,390,908	0	11,360,353	11,360,353	0
0	0	0	414,925	414,925	0
<u>\$332,097</u>	<u>\$334,122</u>	<u>\$2,025</u>	<u>\$9,535,414</u>	<u>\$9,780,187</u>	<u>\$244,773</u>

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise
Operating Revenues:	
Sales	\$193,443
Total Operating Revenues	193,443
Operating Expenses:	
Salaries	136,555
Fringe Benefits	64,344
Purchased Services	4,157
Materials and Supplies	72,996
Cost of Sales	168,149
Depreciation	1,694
Total Operating Expenses	447,895
Operating Loss	(254,452)
Non-Operating Revenues:	
Federal Donated Commodities	53,291
Federal and State Subsidies	179,123
Total Non-Operating Revenues	232,414
Net Loss Before Operating Transfers	(22,038)
Operating Transfers In	12,000
Net Loss	(10,038)
Retained Earnings at Beginning of Year	(170,480)
Retained Earnings Deficit at End of Year	(180,518)
Contributed Capital at Beginning of Year	202,167
Contributions During the Year	
From Other Funds	2,425
Contributed Capital at End of Year	204,592
Total Fund Equity (Deficit) at End of Year	\$24,074

See accompanying notes to the general purpose financial statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Sales	\$193,429	\$193,443	\$14
Total Revenues	193,429	193,443	14
Expenses:			
Salaries	143,957	139,758	(4,199)
Fringe Benefits	64,556	63,863	(693)
Purchased Services	4,473	4,457	(16)
Materials and Supplies	239,523	242,060	2,537
Total Operating Expenses	452,509	450,138	(2,371)
Excess of Revenues Over Expenses Before Transfers and Advances	(259,080)	(256,695)	2,385
Non-Operating Revenues and Expenses:			
Federal and State Subsidies	198,785	198,785	0
Operating Transfers In	12,000	12,000	0
Advances In	55,500	55,500	0
Advances Out	(35,000)	(35,000)	0
Total Non-Operating Revenues and Expenses	231,285	231,285	0
Excess of Revenues Under Expenses after Transfers and Advances	(27,795)	(25,410)	2,385
Fund Equity at Beginning of Year	6,293	6,293	0
Prior Year Encumbrances Appropriated	43,493	43,493	0
Fund Equity (Deficit) at End of Year	\$21,991	\$24,376	\$2,385

See accompanying notes to the general purpose financial statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$193,443
Cash Payments to Suppliers for Goods and Services	(190,755)
Cash Payments for Employee Services and Benefits	(203,621)
Net Cash Used for Operating Activities	(200,933)
Cash Flows from Noncapital Financing Activities:	
Non-Operating Grants Received	198,784
Operating Transfers In	12,000
Advances In	55,500
Advances Out	(35,000)
Net Cash Provided by Noncapital Financing Activities	231,284
Net Increase in Cash and Cash Equivalents	30,351
Cash and Cash Equivalents at Beginning of Year	49,786
Cash and Cash Equivalents at End of Year	\$80,137
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$254,452)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,694
Donated Commodities Used During Year	53,291
Changes in Assets and Liabilities:	
Decrease in Inventory Held for Resale	415
Increase in Materials and Supplies Inventory	34
Increase in Prepaid Items	567
Increase in Accounts Payable	806
Decrease in Accrued Wages and Benefits Payable	(1,733)
Increase in Compensated Absences Payable	(2,036)
Decrease in Due to Other Funds	0
Increase in Intergovernmental Payable	481
Total Adjustments	53,519
Net Cash Used for Operating Activities	(\$200,933)

See accompanying notes to the general purpose financial statements.

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The Fairland Local School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. The board controls the school district's four instructional support facilities staffed by 54 non-certificated, 122 certificated teaching personnel, and 9 administrators, who provide services to approximately 1853 students and other community members.

Reporting Entity

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

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

The School District is involved with three organizations, two of which are defined as jointly governed organizations and one as a group purchasing pool. These organizations include South Central Ohio Computer Association, the Lawrence County Joint Vocational School District and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in note 16 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fairland Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

A. Basis of Presentation - Fund Accounting

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

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

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

GOVERNMENTAL FUND TYPES:

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

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

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

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

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

PROPRIETARY FUND TYPES:

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

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

FIDUCIARY FUND TYPES:

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

ACCOUNT GROUPS:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Process

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

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

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

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Lawrence County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

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

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

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

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Investments

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

During fiscal year 2000, the School District's investments were limited to overnight repurchase agreements and Star Ohio. During the fiscal year, all investments of the School District had a maturity of three months or less. These investments are stated at cost which approximates market value.

Following Ohio statutes, the Board of Education has by resolution, specified the funds to receive an allocation of interest earnings. (Investment earnings are allocated as authorized by state statute). Interest revenue credited to the general fund during fiscal year 2000 amounted to \$193,250, which includes \$58,040 assigned from other funds.

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

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

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

H. Intergovernmental Revenues

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

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

Entitlements

General Fund

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

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Professional Development Block Grant
Education Management Information Systems
School Conflict Management
Eisenhower
Title VI-B
Title I
Title VI
Tech Equity
Tech Prep
Safe & Drug Free Schools
E-Rate
Title VI-R
Continuous Improvement

Capital Projects

Ohio School Facilities Commission
School Net Plus

Reimbursable Grants

General Fund

Driver Education Reimbursement

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements accounted for seventy-seven percent of the School District's operating revenue during the 2000 fiscal year.

I. Interfund Assets/Liabilities

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

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

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

L. Interfund Transactions

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

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

M. Fund Balance Reserves

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

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

N. Contributed Capital

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

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

O. Total Columns on General Purpose Financial Statements

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

P. Restricted Assets

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

Q. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balance/Retained Earnings

At June 30, 2000, the DPIA, Title I and Uniform School Supplies Funds had deficit fund balances of \$84,976, \$36,255 and \$623 respectively which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ 301,776	\$ 97,047	(\$4,081,010)	\$1,811,748
Revenue Accruals	123,895	29,332	24,224	-0-
Expenditure Accruals	76,304	45,592	-0-	-0-
Unrecorded Cash	695	-0-	-0-	-0-
Advances In	35,000	-0-	-0-	-0-
Advances Out	(55,500)	-0-	-0-	-0-
Adjustment for Encumbrances	(361,322)	(16,436)	-0-	(26,436)
Budget Basis	<u>-----</u> \$120,848 <u>=====</u>	<u>-----</u> \$155,535 <u>=====</u>	<u>-----</u> (\$4,056,786) <u>=====</u>	<u>-----</u> \$1,785,312 <u>=====</u>

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

	Net Income (Loss)/Excess of Revenues Over Expenses and Operating Transfers All Proprietary Fund Type
	<u>Enterprise</u>
GAAP Basis	(\$10,038)
Revenue Accruals	(\$33,630)
Expense Accruals	\$53,519
Advances In	\$55,500
Advances Out	(\$35,000)
Adjustment for Encumbrances	<u>(\$55,761)</u>
Budget Basis	(\$25,410) =====

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

Cash on Hand: The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the School District's deposits was (\$307,323) and the bank balance was \$53,171. Of the bank balance, \$100,000 was covered by federal depository insurance.

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

	Category 3	Fair Value
Repurchase Agreements	\$4,336,927	\$4,336,927
StarOhio		<u>\$6,246,247</u>
 Total Investments		 <u>\$10,583,174</u>

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$10,275,851	\$0
Repurchase Agreements	(\$ 4,336,927)	\$4,336,927
Star Ohio	<u>(\$ 6,246,247)</u>	<u>\$6,246,247</u>
 GASB Statement 3	 <u>(\$ 307,323)</u>	 <u>\$10,583,174</u>

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 6 - PROPERTY TAXES

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

Real and public utility property taxes are payable annually and semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31, with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the rates determined in the preceding year.

Tangible personal property used in business (except public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

The assessed values upon which the fiscal year 2000 taxes were collected are:

	<u>1999 First-</u>		<u>2000 Second-</u>	
	<u>Half Collections</u>		<u>Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 99,319,170	92%	\$ 97,388,530	92%
Public Utility Personal	6,157,980	5%	5,662,700	5%
Tangible Personal Property	<u>2,748,710</u>	<u>3%</u>	<u>2,617,220</u>	<u>3%</u>
Total Assessed Value	<u>\$108,225,860</u>	<u>100.00%</u>	<u>\$105,668,450</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$24.02		\$24.02	

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$74,127 and is recognized as revenue. \$61,721 was available to the General Fund, \$10,863 was available to the Bond Retirement Fund and \$1,543 was available to the Classroom Facility Special Revenue Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Excess Costs Refund, Rock Hill LSD	13,416
Total Intergovernmental Receivables	\$ 13,416

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$205,672
Less accumulated depreciation	(183,843)
Net Fixed Assets	\$ 21,829

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<u>Asset Category</u>	Balance at June 30, 1999	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2000
Land	\$ 126,752	\$ 0	\$ 0	\$ 126,752
Buildings and Improvements	5,142,795	0	0	5,142,795
Furniture and Fixtures	2,746,206	55,627	48,169	2,753,664
Textbooks	315,122	111,072	61,000	365,194
Vehicles	744,308	192,322	81,386	855,244
Const in Progress	0	961,740	0	961,740
	-----	-----	-----	-----
Totals	\$ 9,075,183	\$ 1,320,761	\$190,555	\$10,205,389
	=====	=====	=====	=====

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible.

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

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

For fiscal year 2000, the School District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate of the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ending June 30, 2000, 1999, and 1998 were \$179,190, \$162,774, and \$157,902, respectively; approximately 50 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$97,596 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Fairland Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides 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 financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, OH 43215-3771

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the fiscal years ending June 30, 2000, 1999, and 1998 were \$634,320, \$598,896, and \$570,396 respectively; approximately 83 percent has been contributed for fiscal year 2000 and 100

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

percent for fiscal years 1999 and 1998. \$109,732 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. At June 30, 2000, two members of the Board of Education have elected social security and three members of the Board of Education have elected the School Employees Retirement System. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POST-EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$381,576 during fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for 1999. 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 2000 the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$124,041.

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was 189.6 million. Health care benefits are financed on a pay-as-you-go basis. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

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

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

Classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may accumulate up to 250 days. Upon retirement, classified employees receive payment for one-fourth of the total sick leave accumulation to a maximum of 50 days.

B. Health Care Benefits

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

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

Health insurance is provided by Anthem Blue Cross & Blue Shield. Premiums for this coverage are \$679.91 for family coverage and \$249.55 for single coverage. The School District pays 85% of premiums while the employee contributes 15%.

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

Vision insurance is provided by VisionPlus of America Inc. Premiums for this coverage are \$21.43 monthly for family coverage and 8.75 monthly for single coverage. Employees contribute \$12.68 monthly for family coverage. Employee coverage is 100% board paid.

NOTE 13 - LONG TERM OBLIGATIONS

Long-term obligations of the School District as of June 30, 2000 were as follows:

	Outstanding 6/30/99	Additions	Deletions	Outstanding 6/30/00
Compensated absences	\$565,711	\$106,992	\$39,630	\$633,073
Intergovernmental Payable	\$82,956	\$91,583	\$82,956	\$91,583
Energy Conservation Bonds	\$455,000	\$ -0-	\$55,000	\$400,000
OSFC Bonds	\$4,005,000	\$ -0-	\$100,000	\$3,905,000
OSFC Notes	\$4,005,000	\$ -0-	\$4,005,000	\$ -0-
Total General Long-Term Obligations	<u>\$9,113,667</u>	<u>\$198,575</u>	<u>\$4,282,586</u>	<u>\$5,029,656</u>

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

The School District's voted legal debt margin was \$9,510,161 with an unvoted debt margin of \$105,668 at June 30, 2000.

Principal and interest requirements to retire general obligation energy conservation bonds outstanding at June 30, 2000, are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$60,000	\$23,800	\$83,800
2002	\$60,000	\$20,230	\$80,230
2003	\$65,000	\$16,660	\$81,660
2004	\$70,000	\$12,793	\$82,793
2005	\$70,000	\$ 8,627	\$78,627
2006	\$75,000	\$ 4,463	\$79,463
Total	<u>\$400,000</u>	<u>\$86,573</u>	<u>\$486,573</u>

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

Principal and interest requirements to retire Ohio School Facility Commission (OSFC) general obligation bonds outstanding at June 30, 2000, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$110,000	\$189,100	\$299,100
2002	\$110,000	\$185,085	\$295,085
2003	\$115,000	\$180,780	\$295,780
2004	\$120,000	\$176,138	\$296,138
2005	\$125,000	\$171,175	\$296,175
2006-2010	\$705,000	\$769,609	\$1,474,609
2011-2015	\$900,000	\$569,880	\$1,469,880
2016-2020	\$1,165,000	\$276,250	\$1,441,250
2021-2022	<u>\$555,000</u>	<u>\$ 42,000</u>	<u>\$ 597,000</u>
Total	<u>\$3,905,000</u>	<u>\$2,560,017</u>	<u>\$6,465,017</u>

NOTE 14 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2000 consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$55,500	
Enterprise:		
Uniform School Supplies		\$55,500
Totals	<u>\$55,500</u>	<u>\$55,500</u>

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two Enterprise funds to account for the operations of food service, and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the School District as of and for the fiscal year ended June 30, 2000.

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$160,170	\$33,273	\$193,443
Depreciation	\$1,694	\$ -0-	\$1,694
Operating Income (Loss)	\$(233,356)	\$(21,096)	\$(254,452)
Donated Commodities	\$53,291	\$-0-	\$53,291
Operating Grants	\$179,123	\$-0-	\$179,123
Operating Transfers-In	\$-0-	\$12,000	\$12,000
Net Income (Loss)	\$(942)	\$ (9,096)	\$(10,038)
Fixed Assets Additions	\$2,425	\$ -0-	\$2,425
Net Working Capital	\$2,868	\$(623)	\$2,245
Total Assets	\$59,990	\$55,683	\$115,673
Total Equity	\$24,697	\$(623)	\$24,074
Encumbrances at June 30, 2000	\$300	\$55,461	\$55,761

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

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

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Fairland Local School District paid \$3,706 for services provided during fiscal year 2000. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon OH 45661.

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

The WCGRP's business and affairs are conducted by a three member Board of directors consisting of the President-Elect and the Immediate Past President of OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

NOTE 17 - CONTINGENCIES

A. Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation:

The Fairland Local School District is currently party to pending litigation concerning contractual employee matters. No opinion is available as to monetary liability to the District.

NOTE 18 - SCHOOL FUNDING COURT 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 State's legislature to design a plan to 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 School District. During fiscal year ended June 30, 2000, the School District received \$6,202,464 of school foundation support for its general fund.

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received \$2,731,436 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant[ing] further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance, 6/30/99	\$0	\$17,658	\$102,319
Current Year Set-aside Requirement	\$172,265	\$172,265	\$0
Current Year Offsets	\$0	(\$55,239)	\$0
Qualifying Disbursements	<u>(\$172,265)</u>	<u>(\$99,714)</u>	<u>\$0</u>
Total	<u>\$0</u>	<u>\$ 34,970</u>	<u>\$ 102,319</u>
Cash Balance Carried Forward to FY 2000	\$0	\$ 34,970	\$102,319
	=====	=====	=====

The total reserve balance for the three set-asides at the end of the fiscal year was \$137,289.

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining On Contract</u>
BBL Maescher	Fairland High School/ Construction Manager	\$ 1,318,379
Davis and Burton Contractors, Inc.	Fairland High School/ Site Preparation	\$ 479,763
Tanner, Stone and Company	Fairland High School/ Professional Design Services	\$ 1,311,084
Glockner Chevrolet	School Bus Chassis	\$ 32,341
Whitworth Bus Sales, Inc.	School Bus Body	\$ 17,496

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Distribution Program	N/A	10.550	\$	\$49,870	\$	\$53,291
National School Breakfast Program	05PU-99	10.553	35,909		35,909	
National School Lunch Program	04PU-99	10.555	<u>148,426</u>		<u>148,426</u>	
Total Nutrition Cluster			<u>184,335</u>	<u>49,870</u>	<u>184,335</u>	<u>53,291</u>
Total U.S. Department of Agriculture			184,335	49,870	184,335	53,291
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1-99 C1S1-00	84.010	61,417 <u>213,605</u>		88,068 <u>199,100</u>	
Total Title I			<u>275,022</u>	<u>0</u>	<u>287,168</u>	<u>0</u>
Special Education Grants to States	6BS4-99 6BS4-00	84.027	99,706		4,983 <u>88,013</u>	
Total Special Education Grants			99,706	0	92,996	0
Safe and Drug Free Schools and Communities - State Grants	DRS1-00	84.186	7,759		7,759	
Goals 2000 - State and Local Education Systemic Improvement	G2S2-99	84.276			4,643	
Eisenhower Professional Development Education Grant	MSS1-00	84.281	2,896		2,378	
Innovative Educational Program Strategies-Title VI	C2S1-99 C2S1-00	84.298	8,924		215 <u>6,285</u>	
Total Innovative Educational Program Strategies- Title VI			8,924	0	6,500	0
Classroom Reduction Funds (Title VIR)	CRS1-00	84.340	<u>35,188</u>		<u>24,177</u>	
Total U.S. Department of Education			<u>429,495</u>	<u>0</u>	<u>425,621</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$613,830</u>	<u>\$49,870</u>	<u>\$609,956</u>	<u>\$53,291</u>

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the School 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 the fair market value of the commodities received and consumed. Monies from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had food commodities valued at \$8,159 in inventory.

NOTE C - MATCHING REQUIREMENTS

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To The Board of Education:

We have audited the accompanying general purpose financial statements of Fairland Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2000, and have issued our report thereon dated December 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated December 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 13, 2000.

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 13, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of Fairland Local School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control over Compliance

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

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

This report is intended for the information and use of management, 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 13, 2000

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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)(iii)	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):	Educationally Deprived Children - Local Educational Agencies Title I CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDING 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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FAIRLAND LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 20, 2001**