



**Auditor of State
Betty Montgomery**

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fairland Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairland Local School District, Lawrence County, Ohio, as of June 30, 2003, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Also, as mentioned in Note 3, during the year ended June 30, 2003, the School District adopted GASB Statements 37 and 38 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 20, 2004

Fairland Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of the Fairland Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2003 are as follows:

- Net assets of governmental activities increased \$4,176,158. Current and other assets decreased by \$8,123,591 and capital assets increased by \$10,524,221. This is largely due to the completion of a \$37 million Ohio School Facilities Commission building project that included the construction of a new high school and additions and renovations to the School District's three existing instructional buildings.
- General revenues accounted for \$10,490,915 or 74% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,839,143 or 27% of total revenues of \$14,330,058. The School District had \$10,153,900 in expenses related to governmental activities.
- The School District received 75% of its general operating revenue from intergovernmental sources. Of the 608 school districts ranked by the Ohio Department of Education, Fairland ranks 566th in total revenue per pupil. The fiscal health of the School District is heavily dependent upon the level of funding of the State School Foundation and the prudent fiscal management policies as set by the Board of Education.
- The School District has three major funds; the General Fund, the Bond Retirement Debt Service Fund; and the Ohio School Facilities Capital Project Fund. The General Fund had \$10,451,194 in revenues and \$9,736,457 in expenditures. The General Fund's balance increased \$37,585. The Bond Retirement Debt Service Fund had \$440,924 in revenues and \$377,440 in expenditures. The Bond Retirement Debt Service Fund balance increased \$227,937. This increase was due to a June 23, 2003 Transfer In from the general fund of \$82,793 for the fiscal year 2004 bond payment. Also, there were tax collections in excess of payment requirements for which the Board of Education approved a motion to reduce the mills for debt service on September 8, 2003. The Ohio School Facilities Capital Project Fund had \$993,541 in revenues and \$8,716,742 in expenditures. The Ohio School Facilities Capital Project Fund's balance decreased \$7,262,502. This decrease was due to the completion of a \$37 million Ohio School Facilities Commission Building Project.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Fairland Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-

Fairland Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District's activities are all considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Bond Retirement Debt Service Fund and the Ohio School Facilities Capital Project Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities

Fairland Local School District, Ohio
Management's Discussion and Analysis
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(reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$10,411,301	\$18,534,892
Capital Assets	39,875,302	29,351,081
Total Assets	50,286,603	47,885,973
Liabilities		
Long-term Liabilities	4,407,478	4,575,856
Other Liabilities	5,191,034	6,798,180
Total Liabilities	9,598,512	11,374,036
Net Assets		
Invested in Capital Assets, Net of Debt	36,090,302	25,386,081
Restricted	2,809,501	9,397,254
Unrestricted	1,788,288	1,728,602
Total Net Assets	\$40,688,091	\$36,511,937

Total assets increased \$2,400,630 due to an increase in intergovernmental receivables. Total liabilities decreased \$1,775,524. Invested in Capital Assets increased \$10,704,221 due to additions resulting from OSFC Building Project. Restricted Net Assets decreased \$6,587,753 due to expenditures resulting from the OSFC Building Project.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year Fairland Local has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Fairland Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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Table 2
Changes in Net Assets

	Governmental Activities
	2003
Revenues	
Program Revenues	
Charges for Services	\$445,079
Operating Grants, Contributions and Interest	1,838,145
Capital Grants and Contributions	1,555,919
Total Program Revenues	3,839,143
General Revenues	
Property Taxes	2,620,437
Grants and Entitlements	7,821,900
Investment Earnings	41,051
Miscellaneous	7,527
Total General Revenues	10,490,915
Total Revenues	14,330,058
Program Expenses	
Instruction:	
Regular	3,533,970
Special	1,388,754
Vocational	39,453
Support Services:	
Pupil	455,885
Instructional Staff	473,509
Board of Education	415,862
Administration	778,310
Fiscal	369,855
Business	36,327
Operation and Maintenance of Plant	1,351,555
Pupil Transportation	436,368
Central	16,275
Operation of Non-Instructional Services:	
Food Service Operations	427,997
Extracurricular Activities	234,987
Interest and Fiscal Charges	194,793
Total Expenses	10,153,900
Increase in Net Assets	\$4,176,158

Fairland Local School District, Ohio
Management's Discussion and Analysis
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The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
 Governmental Activities

	Total Cost Of Services 2003	Net Cost Of Services 2003
Program Expenses		
Instruction:		
Regular	\$3,533,970	\$2,682,473
Special	1,388,74	574,857
Vocational	39,453	39,453
Support Services:		
Pupil	455,885	376,765
Instructional Staff	473,509	458,113
Board of Education	415,862	415,862
Administration	778,310	778,310
Fiscal	369,855	369,855
Business	36,327	(1,145)
Operation and Maintenance of Plant	1,351,555	(149,200)
Pupil Transportation	436,368	366,664
Central	16,275	16,275
Operation of Non-Instructional Services:		
Food Service Operations	427,997	27,823
Extracurricular Activities	234,987	163,859
Interest and Fiscal Charges	194,793	194,793
Total	\$10,153,900	\$6,314,757

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 67% of instruction activities are supported through taxes and other general revenues.

The School District Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,800,848 and expenditures of \$20,823,376. Expenditures exceeded revenues due to the payment of contracts related to the \$37 million OSFC building project that included the construction of a new high school and additions and renovations to the School District's three existing instructional buildings.

Fairland Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited*

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2003, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$52,021 above original estimates of \$10,367,990 and budget basis expenditures were \$493,201 under original estimates of \$10,282,311. The expenditure variance is due to lower than anticipated expenditures in instructional services, pupil transportation, and general fund capital outlay.

The School District's ending unobligated General Fund balance was \$3,461,672.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$36,090,302 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2003 balances compared to 2002.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2003	2002
Land and Land Improvements	\$198,591	\$198,591
Buildings and Improvements	37,352,078	1,111,546
Furniture and Equipment	2,107,295	179,855
Vehicles	217,338	228,053
Construction in Progress	0	27,633,036
Totals	<u>\$39,875,302</u>	<u>\$29,351,081</u>

During fiscal year 2003, the School District completed a \$37 million Ohio School Facilities Commission building project that included the construction of a new high school and additions and renovations to the School District's three existing instructional buildings.

See note 9 for more information on capital assets.

Fairland Local School District, Ohio
Management's Discussion and Analysis
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Debt

At June 30, 2003, the School District had the following debt outstanding:

Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
General Obligation Bonds	\$3,570,000	\$3,685,000
Energy Conservation Bonds	215,000	280,000
	<u>\$3,785,000</u>	<u>\$3,965,000</u>

See Note 14 for information on Debt.

Economic Factors

The OSFC construction project completed during fiscal year 2003 had a significant impact on the financial statements of the School District. The Fairland Local School District depends on the State School Foundation Program and must maintain its prudent spending habits.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tresa Baker, Fairland Local School District Treasurer, Route 4, Box 201, Proctorville, Ohio 45669.

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Fairland Local School District, Ohio

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,109,864
Cash and Cash Equivalents with Fiscal Agents	504,309
Property Taxes Receivable	2,593,756
Intergovernmental Receivable	1,046,393
Prepaid Items	117,904
Materials and Supplies Inventory	39,075
Nondepreciable Capital Assets	198,591
Depreciable Capital Assets, Net	<u>39,676,711</u>
<i>Total Assets</i>	<u>50,286,603</u>
Liabilities	
Accounts Payable	135,513
Contracts Payable	670,575
Accrued Wages and Benefits Payable	1,198,675
Retainage Payable	504,309
Accrued Interest Payable	80,554
Vacation Benefits Payable	57,869
Matured Compensated Absences Payable	29,660
Deferred Revenue	2,168,585
Intergovernmental Payable	345,294
Long-Term Liabilities:	
Due within One Year	231,400
Due in More than One Year	<u>4,176,078</u>
<i>Total Liabilities</i>	<u>9,598,512</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	36,090,302
Restricted for:	
Other Purposes	269,657
Bus Purchases	118,006
Budget Stabilization	43,460
Debt Service	849,819
Capital Projects	1,528,559
Unrestricted	<u>1,788,288</u>
<i>Total Net Assets</i>	<u><u>\$40,688,091</u></u>

See accompanying notes to the basic financial statements

Fairland Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$3,533,970	\$159,356	\$673,060	\$19,081	(\$2,682,473)
Special	1,388,754	29,002	784,895	0	(574,857)
Vocational	39,453	0	0	0	(39,453)
Support Services:					
Pupil	455,885	0	79,120	0	(376,765)
Instructional Staff	473,509	0	15,396	0	(458,113)
Board of Education	415,862	0	0	0	(415,862)
Administration	778,310	0	0	0	(778,310)
Fiscal	369,855	0	0	0	(369,855)
Business	36,327	34,778	2,694		1,145
Operation and Maintenance of Plant	1,351,555	0	0	1,500,755	149,200
Pupil Transportation	436,368	0	33,621	36,083	(366,664)
Central	16,275	0	0	0	(16,275)
Operation of Non-Instructional Services:					
Food Service Operations	427,997	150,815	249,359	0	(27,823)
Extracurricular Activities	234,987	71,128	0	0	(163,859)
Interest and Fiscal Charges	194,793	0	0	0	(194,793)
Totals	<u>\$10,153,900</u>	<u>\$445,079</u>	<u>\$1,838,145</u>	<u>\$1,555,919</u>	<u>(6,314,757)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					2,185,324
Debt Service					384,568
Other Purposes					50,545
Grants and Entitlements not Restricted to Specific Programs					7,821,900
Investment Earnings					41,051
Miscellaneous					<u>7,527</u>
Total General Revenues					<u>10,490,915</u>
Change in Net Assets					4,176,158
Net Assets Beginning of Year - (See Note 3)					<u>36,511,933</u>
Net Assets End of Year					<u>\$40,688,091</u>

See accompanying notes to the basic financial statements

Fairland Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2003

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,396,778	\$787,407	\$1,136,967	\$627,246	\$5,948,398
Receivables:					
Property Taxes	2,163,142	380,714	0	49,900	2,593,756
Intergovernmental	0	0	958,156	88,237	1,046,393
Prepaid Items	101,122	0	1,249	15,533	117,904
Materials and Supplies Inventory	18,567	0	0	20,508	39,075
Restricted Assets:					
Cash and Cash Equivalents	161,466	0	0	0	161,466
Cash and Cash Equivalents with Fiscal Agents	0	0	504,309	0	504,309
<i>Total Assets</i>	<u>\$5,841,075</u>	<u>\$1,168,121</u>	<u>\$2,600,681</u>	<u>\$801,424</u>	<u>\$10,411,301</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$85,383	\$0	\$42,576	\$7,554	\$135,513
Contracts Payable	0	0	670,575	0	670,575
Accrued Wages and Benefits Payable	1,007,419	0	0	191,256	1,198,675
Retainage Payable	0	0	504,309	0	504,309
Matured Compensated Absences Payable	29,660	0	0	0	29,660
Deferred Revenue	2,092,414	368,266	507,215	104,545	3,072,440
Intergovernmental Payable	210,660	0	0	30,427	241,087
<i>Total Liabilities</i>	<u>3,425,536</u>	<u>368,266</u>	<u>1,724,675</u>	<u>333,782</u>	<u>5,852,259</u>
Fund Balances					
Reserved for Encumbrances	87,648	0	689,201	25,132	801,981
Reserved for Property Taxes	70,728	12,448	0	1,618	84,794
Reserved for Budget Stabilization	43,460	0	0	0	43,460
Reserved for Bus Purchases	118,006	0	0	0	118,006
Designated	162,271			14,600	176,871
Unreserved, Undesignated, Reported in:					
General Fund	1,933,426	0	0		1,933,426
Bond Retirement	0	787,407	0	0	787,407
Special Revenue Funds	0	0	0	221,877	221,877
Capital Projects Funds	0	0	186,805	204,415	391,220
<i>Total Fund Balances</i>	<u>2,415,539</u>	<u>799,855</u>	<u>876,006</u>	<u>467,642</u>	<u>4,559,042</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,841,075</u>	<u>\$1,168,121</u>	<u>\$2,600,681</u>	<u>\$801,424</u>	<u>\$10,411,301</u>

See accompanying notes to the basic financial statements

Fairland Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances		\$4,559,042
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		39,875,302
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	340,377	
Grants	563,478	903,855
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(57,869)
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(104,207)
Interest Payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(80,554)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Energy Conservation Bonds Payable	(3,785,000)	
Sick Leave Benefits Payable	(622,478)	(4,407,478)
Net Assets of Governmental Activities		\$40,688,091

Fairland Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$2,191,656	\$385,682	\$0	\$50,753	\$2,628,091
Intergovernmental	8,162,880	55,242	880,397	1,455,494	10,554,013
Investment Earnings	41,051	0	113,144	0	154,195
Charges for Services	0			150,815	150,815
Tuition and Fees	44,276	0	0	27,806	72,082
Gifts and Donations	0	0	0	11,444	11,444
Extracurricular Activities	0	0	0	193,160	193,160
Miscellaneous	11,331	0	0	25,717	37,048
<i>Total Revenues</i>	<u>10,451,194</u>	<u>440,924</u>	<u>993,541</u>	<u>1,915,189</u>	<u>13,800,848</u>
Expenditures					
Current:					
Instruction:					
Regular	4,547,920	0	0	869,881	5,417,801
Special	1,021,671	0	0	375,501	1,397,172
Vocational	39,453	0	0	0	39,453
Support Services:					
Pupil	377,416	0	0	80,923	458,339
Instructional Staff	324,067	0	0	127,595	451,662
Board of Education	414,104	0	0	0	414,104
Administration	742,244	0	0	0	742,244
Fiscal	369,088	0	0	0	369,088
Business	0	0	0	36,327	36,327
Operation and Maintenance of Plant	1,331,594	0	0	10,164	1,341,758
Pupil Transportation	417,044	0	0	0	417,044
Operation of Non-Instructional Services	6,109	0	0	422,136	428,245
Extracurricular Activities	142,132	0	0	70,210	212,342
Capital Outlay	3,615	0	8,716,742	0	8,720,357
Debt Service:					
Principal	0	180,000	0	0	180,000
Interest and Fiscal Charges	0	197,440	0	0	197,440
<i>Total Expenditures</i>	<u>9,736,457</u>	<u>377,440</u>	<u>8,716,742</u>	<u>1,992,737</u>	<u>20,823,376</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>714,737</u>	<u>63,484</u>	<u>(7,723,201)</u>	<u>(77,548)</u>	<u>(7,022,528)</u>
Other Financing Sources(Uses)					
Transfers In	0	164,453	460,699	52,000	677,152
Transfers Out	(677,152)	0	0	0	(677,152)
<i>Total Other Financing Sources(Uses)</i>	<u>(677,152)</u>	<u>164,453</u>	<u>460,699</u>	<u>52,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	37,585	227,937	(7,262,502)	(25,548)	(7,022,528)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,377,954</u>	<u>571,918</u>	<u>8,138,508</u>	<u>493,190</u>	<u>11,581,570</u>
<i>Fund Balances End of Year</i>	<u>\$2,415,539</u>	<u>\$799,855</u>	<u>\$876,006</u>	<u>\$467,642</u>	<u>\$4,559,042</u>

See accompanying notes to the basic financial statements

Fairland Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$7,022,528)

*Amounts reported for governmental activities in the statement of activities
are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Asset Additions	11,402,075	
Depreciation Expense	(877,850)	10,524,225

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Grants	536,859	
Delinquent Taxes	(7,654)	529,205

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 180,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 2,647

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Intergovernmental Payables	(17,409)	
Vacation Benefits Payable	(8,360)	
Sick Leave Benefits Payable	(11,622)	(37,391)

Change in Net Assets of Governmental Activities \$4,176,158

See accompanying notes to the basic financial statements

Fairland Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$2,357,000	\$2,159,902	\$2,160,567	\$665
Intergovernmental	7,899,990	8,169,228	8,162,880	(6,348)
Investment Earnings	95,000	41,047	40,957	(90)
Tuition and Fees	8,000	20,109	44,276	24,167
Miscellaneous	8,000	11,008	11,331	323
<i>Total Revenues</i>	<u>10,367,990</u>	<u>10,401,294</u>	<u>10,420,011</u>	<u>18,717</u>
Expenditures				
Current:				
Instruction:				
Regular	5,077,100	5,082,793	4,618,439	464,354
Special	1,137,861	1,139,137	1,042,349	96,788
Vocational	48,650	48,705	38,986	9,719
Support Services:				
Pupil	347,902	348,292	376,936	(28,644)
Instructional Staff	295,115	295,446	316,787	(21,341)
Board of Education	154,122	154,295	413,593	(259,298)
Administration	796,324	797,217	755,840	41,377
Fiscal	381,092	381,519	368,673	12,846
Operation and Maintenance of Plant	1,226,184	1,227,559	1,289,708	(62,149)
Pupil Transportation	579,844	580,494	418,329	162,165
Non-Instructional Services	0	0	6,109	(6,109)
Extracurricular Activities	139,828	139,985	139,746	239
Capital Outlay	98,289	98,399	3,615	94,784
<i>Total Expenditures</i>	<u>10,282,311</u>	<u>10,293,841</u>	<u>9,789,110</u>	<u>504,731</u>
<i>Excess of Revenues Over Expenditures</i>	<u>85,679</u>	<u>107,453</u>	<u>630,901</u>	<u>523,448</u>
Other Financing Sources (Uses)				
Operating Transfers In	25,000	25,000	25,000	0
Operating Transfers Out	(298,434)	(298,769)	(702,152)	(403,383)
<i>Total Other Financing Sources (Uses)</i>	<u>(273,434)</u>	<u>(273,769)</u>	<u>(677,152)</u>	<u>(403,383)</u>
<i>Net Change in Fund Balance</i>	<u>(187,755)</u>	<u>(166,316)</u>	<u>(46,251)</u>	<u>120,065</u>
<i>Fund Balance Beginning of Year</i>	3,422,630	3,422,630	3,422,630	0
Prior Year Encumbrances Appropriated	85,383	85,383	85,383	0
<i>Fund Balance End of Year</i>	<u>\$3,320,258</u>	<u>\$3,341,697</u>	<u>\$3,461,762</u>	<u>\$120,065</u>

See accompanying notes to the basic financial statements

Fairland Local School District, Ohio

Statement of Fiduciary Net Assets

June 30, 2003

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$28,375</u>
Liabilities	
Due to Students	<u>\$28,375</u>

See accompanying notes to the basic financial statements

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District and Reporting Entity

Fairland Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's three instructional/support facilities staffed by 59 noncertified, 115 certificated full time teaching personnel and nine administrators who provide services to 1,821 students.

The Reporting Entity

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

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

The School District is associated with five organizations, two of which are defined as jointly governed organizations and three as insurance purchasing pools. These organizations are presented in Note 16 and 17 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Pilasco-Ross Special Education Regional Resource Center
South Central Ohio Computer Association

Insurance Purchasing Entity Risk Pools:

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

Note 2 - Summary of Significant Accounting Policies

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

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements ordinarily distinguish between activities that are governmental and those that are considered business-type, however, the School District has no activities that are classified as business-type.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds for this School District: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental funds:

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.

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Bond Retirement Debt Service Fund The Bond Retirement Debt Service Fund accounts for tax revenues collected to repay outstanding general obligation bonds.

Ohio School Facilities Capital Project Fund The Ohio School Facilities Capital Project Fund accounts for transactions related to the construction of a new high school and additions and renovations to the School Districts' three existing instructional buildings.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Fund Types Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds which account for student activity programs.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District is responsible for an interest bearing account that consists of retainage held on contracts related to the Ohio Schools Facility Capital Projects Fund. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

During fiscal year 2003, investments were limited to term and overnight repurchase agreements. These nonparticipating investment contracts are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$41,051, which includes \$9,812 assigned from other School District funds.

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 is reported in the fiscal year in which services are consumed.

G. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies, custodial supplies and donated and purchased food held for consumption.

H. Capital Assets

General capital assets are those assets specifically related governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District increased the capitalization threshold from \$300 to \$5000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	6 – 20 years
Vehicles	8 years

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization and unexpended revenues restricted for the purchase of buses. See Note 20 for additional information regarding set-asides.

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees within the calendar year earned.

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 classified and certified employees after fifteen years of current service with the School District.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid.

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term loans are recognized as an expenditure and liability on the governmental fund financial statements when due.

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

M. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, budget stabilization, property taxes, and bus purchases.

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 monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

N. Designated Fund Balance

The School District has a designation of fund balance on the balance sheet of \$162,271 in the general fund and \$14,600 in special revenue funds for money set aside by the Board of Education for the potential payment of future health insurance premiums.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditure for specified purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

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.

R. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The School District Treasurer has been given the authority to allocate appropriations among functions and objects within all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 - Changes in Accounting Principle and Restatement of Fund Balance

A. Changes in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements" and GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences."

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

The government-wide financial statements split the School District's programs between business-type activities and governmental activities. Except for the restatements explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This situation did not exist for fiscal year 2003.

B. Restatement of Fund Balance

It was determined that the Food Service Enterprise Fund and Uniform School Supplies Enterprise Fund should be reclassified to special revenue funds. This restatement and the implementation of Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Retirement</u>	<u>Facilities</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$2,223,787	\$571,918	\$8,138,508	\$642,597	\$11,576,810
Fund Reclassification	147,579	0	0	(164,557)	(16,978)
Accrued Interest	(108)	0	0	0	(108)
Interpretation 6	6,696	0	0	15,150	21,846
Adjusted Fund Balances, June 30, 2002	<u>\$2,377,954</u>	<u>\$571,918</u>	<u>\$8,138,508</u>	<u>\$493,190</u>	11,581,570
GASB 34 Adjustments:					
Capital Assets					29,351,083
Pension Obligation					(86,804)
Vacation Benefits Payable					(49,509)
Accrued Interest Payable					(83,201)
Long-term Liabilities					(4,575,856)
Long-term (Deferred) Assets					374,650
Governmental Activities Net Assets, June 30, 2002					<u>\$36,511,933</u>

	<u>Business-Type Activities</u>
Fund Equity, June 30, 2002	\$1,465
Fund Reclassification	(1,465)
Adjusted Net Assets, June 30, 2002	<u>\$0</u>

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 4 – Accountability

The following funds had deficit fund balances at June 30, 2003:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
DPIA	\$95,832
IDEA-B	\$7,362
Title V-R, Class Size Reduction	\$10,972

The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) presented for the General Fund is 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 (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balance

GAAP Basis	\$37,585
Revenue Accruals	(31,197)
Beginning of Year:	
Prepaid Items	96,595
Unreported Interest	108
End of Year	
Prepaid Items	(101,122)
Advances Out	0
Expenditure Accruals	48,263
Encumbrances	<u>(96,483)</u>
Budget Basis	<u><u>(\$46,251)</u></u>

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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.

Protection of 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 monies deposited with the institution.

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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;

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

3. Written repurchase agreements 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 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Cash with Fiscal Agents: At year end, the School District's building construction capital projects fund had \$504,309 in cash with escrow agents which is included on the balance sheet of the School District as "cash and cash equivalents with fiscal and escrow agents."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$(190,192) and the bank balance was \$50,008. The entire amount of the bank balance was covered by federal deposit insurance.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at 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 for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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.

	3	Value
Repurchase Agreements	\$6,832,740	\$6,832,740

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

	Cash and Cash Equivalents/	
	Deposits	Investments
GASB Statement 9	\$6,642,548	\$0
Repurchase Agreements	(\$6,832,740)	\$6,832,740
GASB Statement 3	(\$190,192)	\$6,832,740

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$84,794 and is recognized as revenue: \$70,728 in the General Fund, \$12,448 in the Bond Retirement Debt Service Fund and \$1,618 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2002, was \$39,639 in the General Fund, \$6,976 in the Bond Retirement Debt Service Fund and \$922 in the Classroom Facilities Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$99,455,250	85%	\$102,033,720	85%
Public Utility Personal	8,485,720	7%	7,903,150	7%
Tangible Personal Property	9,022,160	8%	10,045,150	8%
Total	<u>\$116,963,130</u>	<u>100%</u>	<u>\$119,982,020</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$24.02		\$24.02	

Note 8 - Receivables

Receivables at June 30, 2003, consisted of property taxes 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. All receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

Fairland Local School District
Notes to the Basic Financial Statements
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Intergovernmental Receivables	Amounts
Capital Projects Funds:	
OSFC Classroom Facilities	\$958,156
Special Revenue Funds:	
Special Education Grants to States	\$12,953
Title I Grants to Local Educational Agencies	61,347
Safe and Drug-Free Schools and Communities State Grants	3,585
Teacher Quality Improvement Grant	10,352
Total Special Revenue Funds:	88,237
Total Intergovernmental Receivables	<u>\$1,046,393</u>

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 6/30/2002	Additions	Deductions	Balance 6/30/2003
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	\$198,591	\$0	\$0	\$198,591
Construction in Progress	27,633,036	0	(27,633,036)	0
Total Capital Assets not being Depreciated	<u>27,831,627</u>	<u>0</u>	<u>(27,633,036)</u>	<u>198,591</u>
Depreciable Capital Assets:				
Buildings and Improvements	5,350,761	36,947,650	0	42,298,411
Furniture and Equipment	325,448	2,035,764	0	2,361,212
Vehicles	819,823	51,693	(23,052)	848,464
Total Capital Assets being Depreciated	<u>6,496,032</u>	<u>39,035,107</u>	<u>(23,052)</u>	<u>45,508,087</u>
Less Accumulated Depreciation				
Buildings and Improvements	(4,239,218)	(707,115)	0	(4,946,333)
Furniture and Equipment	(145,593)	(108,324)	0	(253,917)
Vehicles	(591,770)	(62,408)	23,052	(631,126)
Total Accumulated Depreciation	<u>(4,976,581)</u>	<u>(877,847) *</u>	<u>23,052</u>	<u>(5,831,376)</u>
Total Capital Assets being Depreciated, Net	<u>1,519,451</u>	<u>38,157,260</u>	<u>0</u>	<u>39,676,711</u>
Capital Assets, Net	<u>\$29,351,078</u>	<u>\$38,157,260</u>	<u>(\$27,633,036)</u>	<u>\$39,875,302</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$725,447
Support Services:	
Instructional Staff	21,292
Administration	19,191
Pupil Transportation	64,608
Food Service Operations	8,474
Extracurricular Activities	22,560
Central	16,275
Total Depreciation Expense	<u>\$877,847</u>

Fairland Local School District
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For the Fiscal Year Ended June 30, 2003

Note 10 - Risk Management

A. Property and Liability

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 2003, the School District contracted with Selective Insurance for property and fleet insurance.

The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$43,307,300
Automobile Liability (\$1,000 deductible):	
Bodily Injury and Property Damage – combined single limit	\$1,000,000
Medical Payments – each person	\$5,000
Uninsured Motorists	\$1,000,000

During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 17).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	\$3,000,000
Products – Complete Operations Aggregate Limit	\$1,000,000
Fire Legal Liability	\$500,000
Medical Expense Limit – per person/accident	\$10,000
Employers Liability – Stop Gap:	
Per Accident	\$1,000,000
Per Disease Each Employee	\$1,000,000
Per Disease Policy Limit	\$1,000,000
Employee Benefits Liability:	
Per Claim	\$1,000,000
Aggregate Limit	\$3,000,000
Excess Liability:	
Each Occurrence	\$2,000,000
Aggregate Limit	\$2,000,000

B. Worker's Compensation

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

Note 11 - 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, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 57 days.

Classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 295 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 57 days.

B. Life Insurance and Health Care Benefits

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

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

Health insurance is provided by Medical Mutual of Ohio. Premiums for this coverage are \$994 for family coverage and \$403 for single coverage. The School District pays 85% of the premium for certified employees and classified employees who are not members of the non-teaching bargaining unit. The School District pays 80% of the premium for classified employees who are members of the non-teaching bargaining unit.

Vision insurance is provided through VisionPlus Inc. The School District pays 100% of the \$11.65 monthly premium for each employee. Employees may contribute \$16.87 to purchase family coverage if they so desire.

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$132,895, \$87,686, and \$196,128 respectively; 48.6 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002, and 2001.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before

Fairland Local School District
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For the Fiscal Year Ended June 30, 2003

retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$706,946, \$402,726, and \$700,476, respectively; 83.48 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. \$54,380 represents the unpaid contribution for fiscal year 2003.

Note 13 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the 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, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$54,380 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3,011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the

Fairland Local School District
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amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$120,991.

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, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 14 - Long Term Obligations

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	<u>Outstanding 6/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/03</u>	<u>Due in One Year</u>
Governmental Activities					
Energy Conservation Bonds 1996 5.95%	\$280,000	\$0	\$65,000	\$215,000	\$70,000
OSFC Bonds, 1999 5.02%	3,685,000	0	115,000	3,570,000	120,000
Sick Leave Benefits	<u>610,856</u>	<u>91,276</u>	<u>79,654</u>	<u>622,478</u>	<u>41,400</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$4,575,856</u>	<u>\$91,276</u>	<u>\$259,654</u>	<u>\$4,407,478</u>	<u>\$231,400</u>

On December 1, 1996, the School District issued school energy conservation improvement bonds in the amount of \$600,000. The bonds were issued for energy efficiency improvements to School District buildings and will be paid from savings generated from reduced energy costs. The school energy conservation improvement bonds will be paid from the Bond Retirement Debt Service Fund.

On June 8, 1999 the School District issued \$4,005,000 in voted general obligation bonds for the purpose of constructing a new high school and additions and renovations to the three existing instructional buildings. The bonds were issued for a 23 year period with a final maturity at December 1, 2021. The School Improvement General Obligation Bonds will be paid from the Bond Retirement Debt Service Fund.

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and Food Service, Special Education Grants to States, Title I Grants to Local Educational Agencies and Class Size Reduction Special Revenue Funds.

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Annual requirement to school improvement general obligation bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$120,000	\$176,138	\$296,138
2005	125,000	171,175	296,175
2006	130,000	165,883	295,883
2007	135,000	160,250	295,250
2008	140,000	154,268	294,268
2009-2013	810,000	663,389	1,473,389
2014-2018	1,055,000	405,075	1,460,075
2019-2022	1,055,000	108,875	1,163,875
Total	<u>\$3,570,000</u>	<u>\$2,005,053</u>	<u>\$5,575,053</u>

Annual requirements to retire energy conservation bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$70,000	\$12,793	\$82,793
2005	70,000	8,627	78,627
2006	75,000	4,463	79,463
Total	<u>\$215,000</u>	<u>\$25,883</u>	<u>\$240,883</u>

The overall debt margin of the School District as of June 30, 2003, was \$9,600,519, with an unvoted debt margin of \$119,982.

Note 15 – Interfund Balances and Transfers

During fiscal year 2003, the General Fund made transfers to other governmental funds, in the amount of \$702,152, to subsidize various programs in other funds.

Note 16 - Jointly Governed Organizations

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. Fairland Local School District paid \$61,015 for services provided during fiscal year 2003. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

Pilasco-Ross is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the South

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Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2003, the School District paid \$36,893 to Pilasco-Ross. Dawson-Bryant Local School District serves as the fiscal agent for Pilasco-Ross. To obtain financial information write to the Dawson Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

Note 17- Insurance Purchasing Pools

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

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

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers.

Note 18 – Contractual Commitments

As of June 30, 2003, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining On Contract</u>
BBL Maescher	Construction Manager	\$ 83,505
Tanner, Stone and Company	Professional Design Services	\$197,791
Crace Construction	High School General Trades Construction	\$ 73,437
Dixon Electrical Systems	High School Electrical Work	\$ 42,756
General Heating and Air Conditioning Powell, Inc.	HVAC Work Energy Management System	\$ 48,708 \$ 15,937
Tech Valley Contracting	Roofing	\$ 10,886

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

B & L Contractors Inc	East Renovations General Trades	\$ 98,264
CIMCO Inc	Plumbing – East	\$ 5,975
Dixon Electric	Electric – East Ren	\$ 10,437
Mechanical Construction	HVAC – East Ren	\$ 22,589
Brewer & Co.	Fire Protection – W/M	\$ 12,733
CIMCO Inc	Plumbing – W/M	\$ 31,005
Dixon Electric	Electric – West	\$ 7,007
General Heating & Air	HVAC – W/M	\$ 64,755
Pritchard Electric	Electric – Middle	\$ 14,614
RWS Builders	General Trades – W/M	\$163,352
Farnham Equipment Co.	Loose Equipment	\$ 2,470
Central Insulation System Inc.	Asbestos Abatement	\$ 8,615
School Specialty Inc.	Loose Equipment	\$ 44,162
Ed Tech Services	Data Voice & Sound	\$14,590
Professional Products Inc	Technology Equipment	\$106,123
McDaniel Electric	FHS Security	\$ 1,000
Norris Kendell	Loose Equipment E/W/MS	\$ 1,737
Continental Office Furniture	Loose Equipment E/W/MS	\$ 52,359
J.R. Holcomb	Loose Equipment E/W/MS	\$106,707
Farnham	Loose Equipment E/W/MS	\$ 49,370
Martin Public Seating	Loose Equipment E/W/MS	\$ 8,973
Tom R. Sexton	Loose Equipment E/W/MS	\$ 20,559
Wenger	Loose Equipment E/W/MS	\$ 23,679

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

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

Note 20 - Set-Aside Calculations and Fund Reserves

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

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

	<u>Budget Stabilization</u>	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2002	\$43,460	\$0	\$0
Current Year Set-aside Requirement	0	251,435	251,435
Offsets	0	0	(57,270)
Qualifying Disbursements	0	(251,435)	(500,750)
Required Set aside	<u>\$43,460</u>	<u>0</u>	<u>(306,585)</u>
Carry over to Fiscal Year 2004	<u>\$43,460</u>	<u>\$0</u>	<u>\$0</u>

Fairland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 21 - School Funding Court Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 22 – Subsequent Events

On August 11, 2003, the Board of Education approved awarding bids for two sixty-five passenger school buses to Edwin H. Davis and Sons at a cost of \$53,110 each.

On September 8, 2003 the Board of Education awarded a general trades contract to J & H Reinforcing and Structural Erectors in the amount of \$358,800 in relation to the District's Ohio School Facilities Commission project.

On November 10, 2003, the Board of Education approved an amendment to the Tanner Stone and Company architect agreement related to the Ohio School Facilities Commission Project. The amendment resulted in an increase of \$33,400.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550		\$80,148		\$80,148
School Breakfast Program	05PU	10.553	27,119		27,119	
National School Lunch Program	LLP4	10.555	<u>131,325</u>		<u>131,325</u>	
Total United States Department of Agriculture - Nutrition Cluster			<u>158,444</u>	<u>80,148</u>	<u>158,444</u>	<u>80,148</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	315,803		330,601	
Special Education Grants to States	6BSF	84.027	176,748		204,980	
Safe and Drug-Free Schools and Communities State Grants	DRS1	84.186	10,222		10,708	
Eisenhower Professional Development State Grants	MSS1	84.281	1,187		10,890	
Innovative Education Program Strategies	C2S1	84.298	18,060		18,498	
Education Technology State Grants	TJS1	84.318	9,026		9,026	
Class Size Reduction	CRS1	84.340	6,167		17,154	
School Renovation Grants	ATS2	84.352A	16,285		16,285	
Improving Teacher Quality State Grants	TRS1	84.367	<u>93,146</u>		<u>89,667</u>	
Total Department of Education			<u>646,644</u>		<u>707,809</u>	
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			<u>\$805,088</u>	<u>\$80,148</u>	<u>\$866,253</u>	<u>\$80,148</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 basic financial statements of the Fairland Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated April 20, 2004, wherein we noted the School District has adopted Governmental Accounting Statements No. 34, 37, and 38 and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's basic 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 basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated April 20, 2004.

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 basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2003-002.

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 basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated April 20, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 20, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Fairland Local School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

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.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 20, 2004

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(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):	Child Nutrition Cluster CFDA #'s 10.550, 10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

FINDING 2003-001

Noncompliance Citation

Ohio Rev. Code Section 9.38 requires public officials (other than a state officer, employee or agent) to deposit all public moneys received with the treasurer of the public office or properly designated depository on the business day following the day of receipt. If the total amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 of a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

All moneys received by the 8th Grade Washington D.C. Trip Student Activity Club were not paid into the School District Treasurer's Office on the next business day. Instead, these funds were utilized to purchase additional fund raising items. Due to the decentralized location of the student activity club, this could result in a potential loss to the accounts.

We recommend that all moneys received be deposited into the School District Treasurer's Office or a designated depository on the next business day following the day of receipt. If this is not practical, we recommend the organization deposit all monies exceeding \$1,000 on the next business day following the day of receipt and the School District adopt a policy permitting a different time period, not exceeding three days, for monies received which do not exceed \$1,000 and may be properly safeguarded.

FINDING 2003-002

Reportable Condition

During the fiscal year, the 8th Grade Washington D.C. Trip Organization held fund raising activities in order to assist with the participation in a field trip to Washington D.C. The 8th Grade Washington D.C. Trip Organization did not maintain accurate records supporting the amounts which were paid into the School District Treasurer's Office for fund raising activities. Although duplicate receipts were issued for student payments, deposits were not accompanied by a listing of individual student names, amounts paid, etc. which comprised the deposit amount. This could result in an inability to account for amounts paid into the School District Treasurer's Office. In addition, the Organization made purchases from various vendors by deducting the money from snack sales as it was received in order to be reimbursed and/or to purchase additional items for fund raising activities. Invoices were maintained for these purchases totaling \$7,863. The organization did not maintain detailed documentation to support this activity. This could result in a potential loss to the School District.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

We recommend the 8th Grade Washington D.C. Trip Organization issue duplicate receipts for all monies received and keep documentation to support amounts paid into the School District Treasurer's Office. This documentation should include a listing of students who made payment, amount paid, date, etc. the total of which should agree to the deposit amount. We further recommend that all disbursements be made by School District purchase orders which are certified by the School District Treasurer indicating the amount required for the disbursement has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

3. FINDINGS FOR FEDERAL AWARDS

None.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
JUNE 30, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	All student activity advisors will be reminded of appropriate procedures regarding deposits.	June 30, 2004	Tresa Baker, School Treasurer
2003-002	Purchase orders are currently (FY 04) being issued for all purchases for 8 th Grade Trip.	June 30, 2004	Tresa Baker, School Treasurer



**Auditor of State
Betty Montgomery**

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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
MAY 18, 2004**