



Mary Taylor, CPA
Auditor of State

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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Mary Taylor, CPA

Auditor of State

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, 2008, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 22, 2009

Fairland Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the Fairland Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- Net assets of governmental activities decreased \$848,418. This is almost entirely due to the depreciation of capital assets.
- General revenues accounted for \$13,364,167 or 81% of all revenues. Program specific revenues in the form of Charges for Services and Sales, Operating Grants and Contributions, and Capital Grants accounted for \$3,218,235 or 19% of total revenues of \$16,582,402. The School District had \$17,430,820 in expenses related to governmental activities.
- The School District has two major funds; the General Fund and the Bond Retirement Fund. The General Fund had \$13,465,185 in revenues and \$13,578,048 in expenditures. The General Fund's balance increased \$41,811. The Bond Retirement Fund had \$452,721 in revenues and \$306,240 in expenditures. The Bond Retirement Fund's balance increased \$146,481.

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 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-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 at 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 2008?" 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.

Fairland Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude 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 and the Bond Retirement 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 (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Fund 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. The School District's only fiduciary fund is an agency fund which is used to maintain financial activity of the School District's student managed activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB Statement No. 34, fiduciary funds are not included in the government-wide statements.

Fairland Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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 2008 compared to 2007.

Table 1
Net Assets

	Governmental Activities		
	2008	2007	Variance
Assets			
Current and Other Assets	\$10,201,361	\$9,811,444	\$389,917
Capital Assets	33,752,229	35,036,821	(1,284,592)
Total Assets	43,953,590	44,848,265	(894,675)
Liabilities			
Long-term Liabilities	3,674,056	3,817,643	(143,587)
Other Liabilities	4,580,017	4,482,687	97,330
Total Liabilities	8,254,073	8,300,330	(46,257)
Net Assets			
Invested in Capital Assets, Net of Debt	30,832,229	31,976,821	(1,144,592)
Restricted	1,802,870	1,546,214	256,656
Unrestricted	3,064,418	3,024,900	39,518
Total Net Assets	\$35,699,517	\$36,547,935	(\$848,418)

Total assets decreased \$894,675 due to a decrease in capital assets due to depreciation expense and a decrease in Prepaid Items. Total liabilities decreased \$46,257 which included a \$143,587 decrease in long-term liabilities due largely to bond principal reduction and an increase of \$97,330 to other liabilities, due largely to an increase in intergovernmental payables and deferred revenue.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 compared to 2007. Revenue increased \$1,698,307, mostly due to an increase in property taxes revenue and grants and entitlements.

Fairland Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		
	2008	2007	Variance
Revenues			
Program Revenues			
Charges for Services and Sales	\$536,688	\$506,672	\$30,016
Operating Grants and Contributions	2,666,008	2,271,820	394,188
Capital Grants	15,539	13,891	1,648
Total Program Revenues	<u>3,218,235</u>	<u>2,792,383</u>	<u>425,852</u>
General Revenues			
Property Taxes	3,679,823	2,838,688	841,135
Grants and Entitlements	9,406,683	8,945,631	461,052
Gain on Disposition of Capital Assets	30,491	0	30,491
Investment Earnings	236,714	296,538	(59,824)
Miscellaneous	10,456	10,855	(399)
Total General Revenues	<u>13,364,167</u>	<u>12,091,712</u>	<u>1,272,455</u>
Total Revenues	<u>16,582,402</u>	<u>14,884,095</u>	<u>1,698,307</u>
Program Expenses			
Instruction			
Regular	8,622,155	8,194,182	427,973
Special	1,623,877	1,538,161	85,716
Vocational	58,501	49,992	8,509
Other	16,065	12,466	3,599
Support Services:			
Pupil	438,759	473,981	(35,222)
Instructional Staff	936,906	866,154	70,752
Board of Education	141,238	154,442	(13,204)
Administration	1,120,734	1,100,039	20,695
Fiscal	358,064	349,083	8,981
Business	8,790	27,598	(18,808)
Operation and Maintenance of Plant	2,094,635	1,938,777	155,858
Pupil Transportation	784,894	729,605	55,289
Central	38,264	17,447	20,817
Operation of Non-Instructional Services:			
Food Service Operations	692,624	539,719	152,905
Community Services	5,095	0	5,095
Extracurricular Activities	337,595	330,838	6,757
Interest and Fiscal Charges	152,624	157,520	(4,896)
Total Expenses	<u>17,430,820</u>	<u>16,480,004</u>	<u>950,816</u>
Decrease in Net Assets	<u>(\$848,418)</u>	<u>(\$1,595,909)</u>	<u>\$747,491</u>

Fairland Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The Statement of Activities shows the cost of program services and the charges for services and sales, operating grants and contributions, and capital grants 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.

Table 3
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program Expenses				
Instruction:				
Regular	8,622,155	7,619,419	8,194,182	7,351,586
Special	1,623,877	620,403	1,538,161	623,205
Vocational	58,501	38,237	49,992	49,992
Other	16,065	16,065	12,466	12,466
Support Services:				
Pupil	438,759	338,386	473,981	387,754
Instructional Staff	936,906	667,922	866,154	612,073
Board of Education	141,238	141,238	154,442	154,442
Administration	1,120,734	1,120,734	1,100,039	1,100,039
Fiscal	358,064	358,064	349,083	349,083
Business	8,790	8,790	27,598	(4,771)
Operation and Maintenance of Plant	2,094,635	2,094,635	1,938,777	1,938,777
Pupil Transportation	784,894	725,328	729,605	677,244
Central	38,264	38,264	17,447	17,447
Operation of Non-Instructional Services:				
Food Service Operations	692,624	34,256	539,719	27,286
Community Services	5,095	5,095	0	0
Extracurricular Activities	337,595	233,125	330,838	233,478
Interest and Fiscal Charges	152,624	152,624	157,520	157,520
Total	<u>\$17,430,820</u>	<u>\$14,212,585</u>	<u>\$16,480,004</u>	<u>\$13,687,621</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 80% 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 \$16,480,965 and expenditures of \$16,469,567.

Fairland Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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 2008 the School District amended its General Fund budget as needed to reflect unexpected revenues and expenditures. For the General Fund, budget basis revenue was \$1,243,536 above original estimates of \$12,015,814 due to larger than expected taxes and intergovernmental revenue. Budget basis expenditures were \$140,829 above original estimates of \$13,310,728.

The School District's ending unobligated General Fund balance was \$4,917,190.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$33,752,229 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2008	2007
Land and Land Improvements	\$198,591	\$198,591
Buildings and Improvements	31,797,814	33,102,314
Furniture and Equipment	1,418,771	1,566,750
Vehicles	337,053	169,166
Totals	\$33,752,229	\$35,036,821

See note 8 for more information on capital assets.

Fairland Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Debt

At June 30, 2008, the School District had the following debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
General Obligation Ohio School Facilities Commission Bonds	\$2,920,000	\$3,060,000

See Note 13 for information on Debt.

Economic Factors

The School District depends on the State School Foundation Program and must maintain its prudent spending habits. The financial situation is stable at the present time; however, the School District is unable to predict what effect the budget problems of the State of Ohio may have on its financial operations.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, 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 Loretta Wirzfeld, Fairland Local School District Treasurer, 228 Private Drive 10010, Proctorville, Ohio 45669.

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Fairland Local School District, Ohio

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,789,781
Intergovernmental Receivable	107,812
Property Taxes Receivable	3,242,684
Accounts Receivable	18,740
Accrued Interest Receivable	1,311
Prepaid Items	8,976
Materials and Supplies Inventory	32,057
Nondepreciable Capital Assets	198,591
Depreciable Capital Assets, Net	<u>33,553,638</u>
<i>Total Assets</i>	<u>43,953,590</u>
Liabilities	
Accounts Payable	45,456
Accrued Wages and Benefits Payable	1,476,929
Accrued Interest Payable	11,468
Vacation Benefits Payable	63,429
Deferred Revenue	2,560,787
Intergovernmental Payable	421,948
Long-Term Liabilities:	
Due within One Year	238,307
Due in More than One Year	<u>3,435,749</u>
<i>Total Liabilities</i>	<u>8,254,073</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	30,832,229
Restricted for:	
Bus Purchases	5,692
Set Asides	43,460
Capital Projects	204,410
Debt Service	1,024,141
Other Purposes	525,167
Unrestricted	<u>3,064,418</u>
<i>Total Net Assets</i>	<u><u>\$35,699,517</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, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$8,622,155	\$172,728	\$830,008	\$0	(\$7,619,419)
Special	1,623,877	0	1,003,474	0	(620,403)
Vocational	58,501	0	20,264	0	(38,237)
Other	16,065	0	0	0	(16,065)
Support Services:					
Pupils	438,759	0	100,373	0	(338,386)
Instructional Staff	936,906	0	268,984	0	(667,922)
Board of Education	141,238	0	0	0	(141,238)
Administration	1,120,734	0	0	0	(1,120,734)
Fiscal	358,064	0	0	0	(358,064)
Business	8,790	0	0	0	(8,790)
Operation and Maintenance of Plant	2,094,635	0	0	0	(2,094,635)
Pupil Transportation	784,894	0	44,027	15,539	(725,328)
Central	38,264	0	0	0	(38,264)
Operation of Non-Instructional Services:					
Food Service Operations	692,624	259,490	398,878	0	(34,256)
Community Services	5,095	0	0	0	(5,095)
Extracurricular Activities	337,595	104,470	0	0	(233,125)
Interest and Fiscal Charges	152,624	0	0	0	(152,624)
Totals	\$17,430,820	\$536,688	\$2,666,008	\$15,539	(14,212,585)
General Revenues					
Property Taxes Levied for					
General Purposes					3,235,065
Debt Service					383,893
Classroom Facilities Maintenance Fund					60,865
Grants and Entitlements not Restricted to Specific Programs					9,406,683
Investment Earnings					236,714
Gain on Sale of Capital Assets					30,491
Miscellaneous					10,456
Total General Revenues					13,364,167
Change in Net Assets					(848,418)
Net Assets Beginning of Year					36,547,935
Net Assets End of Year					\$35,699,517

See accompanying notes to the basic financial statements

Fairland Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,937,152	\$964,231	\$844,938	\$6,746,321
Receivables:				
Property Taxes	2,851,651	339,346	51,687	3,242,684
Accounts	18,740	0	0	18,740
Accrued Interest	1,311			1,311
Intergovernmental	5,692	0	102,120	107,812
Interfund Receivable	13,076	0	0	13,076
Prepaid Items	8,976	0	0	8,976
Materials and Supplies Inventory	6,219	0	25,838	32,057
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	43,460	0	0	43,460
<i>Total Assets</i>	<u>\$7,886,277</u>	<u>\$1,303,577</u>	<u>\$1,024,583</u>	<u>\$10,214,437</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$38,182	\$0	\$7,274	\$45,456
Accrued Wages and Benefits Payable	1,286,504	0	190,425	1,476,929
Interfund Payable	0	0	13,076	13,076
Deferred Revenue	2,474,660	294,484	88,987	2,858,131
Intergovernmental Payable	355,996	0	65,952	421,948
<i>Total Liabilities</i>	<u>4,155,342</u>	<u>294,484</u>	<u>365,714</u>	<u>4,815,540</u>
Fund Balances				
Reserved for Encumbrances	55,749	0	4,737	60,486
Reserved for Property Taxes	376,991	44,862	6,753	428,606
Reserved for Bus Purchases	5,692	0	0	5,692
Reserved for Budget Stabilization	43,460	0	0	43,460
Unreserved:				
Designated for Budget Deficit	58,859	0	0	58,859
Unreserved, Undesignated, Reported in:				
General Fund	3,190,184	0	0	3,190,184
Special Revenue Funds	0	0	442,969	442,969
Debt Service Fund	0	964,231	0	964,231
Capital Project Funds	0	0	204,410	204,410
<i>Total Fund Balances</i>	<u>3,730,935</u>	<u>1,009,093</u>	<u>658,869</u>	<u>5,398,897</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,886,277</u>	<u>\$1,303,577</u>	<u>\$1,024,583</u>	<u>\$10,214,437</u>

See accompanying notes to the basic financial statements

Fairland Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Fund Balances		\$5,398,897
 <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.		33,752,229
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	253,291	
Grants	44,053	297,344
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.		(63,429)
Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(11,468)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Ohio School Facilities Commission Bonds Payable	(2,920,000)	
Sick Leave Benefits Payable	(754,056)	(3,674,056)
Net Assets of Governmental Activities		\$35,699,517

See accompanying notes to the basic financial statements

Fairland Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,208,498	\$380,732	\$60,970	\$3,650,200
Intergovernmental	9,305,314	71,989	1,963,997	\$11,341,300
Investment Earnings	236,714	0	0	\$236,714
Tuition and Fees	704,283	0	41,843	\$746,126
Charges for Services	0	0	259,490	\$259,490
Extracurricular Activities	0	0	219,013	\$219,013
Gifts and Donations	0	0	17,666	\$17,666
Miscellaneous	10,376	0	80	\$10,456
<i>Total Revenues</i>	<u>13,465,185</u>	<u>452,721</u>	<u>2,563,059</u>	<u>\$16,480,965</u>
Expenditures				
Current:				
Instruction:				
Regular	6,611,827	0	765,871	7,377,698
Special	1,112,094	0	571,805	1,683,899
Vocational	58,501	0	0	58,501
Other	16,065	0	0	16,065
Support Services:				
Pupils	331,709	0	104,872	436,581
Instructional Staff	473,023	0	279,120	752,143
Board of Education	141,238	0	0	141,238
Administration	1,124,550	0	0	1,124,550
Fiscal	353,903	11,972	1,950	367,825
Business	0	0	8,790	8,790
Operation and Maintenance of Plant	2,167,854	0	70,861	2,238,715
Pupil Transportation	963,136	0	0	963,136
Operation of Non-Instructional Services:				
Food Service Operations	0	0	679,854	679,854
Community Services	5,095	0	0	5,095
Extracurricular Activities	219,053	0	102,156	321,209
Debt Service:				
Principal Retirement	0	140,000	0	140,000
Interest and Fiscal Charges	0	154,268	0	154,268
<i>Total Expenditures</i>	<u>13,578,048</u>	<u>306,240</u>	<u>2,585,279</u>	<u>16,469,567</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(112,863)</u>	<u>146,481</u>	<u>(22,220)</u>	<u>11,398</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,190	0	0	1,190
Insurance Recoveries	200,362	0	0	200,362
Transfers In	0	0	46,878	46,878
Transfers Out	(46,878)	0	0	(46,878)
<i>Total Other Financing Sources (Uses)</i>	<u>154,674</u>	<u>0</u>	<u>46,878</u>	<u>201,552</u>
<i>Net Change in Fund Balance</i>	41,811	146,481	24,658	212,950
<i>Fund Balances Beginning of Year</i>	<u>3,689,124</u>	<u>862,612</u>	<u>634,211</u>	<u>5,185,947</u>
<i>Fund Balances End of Year</i>	<u>\$3,730,935</u>	<u>\$1,009,093</u>	<u>\$658,869</u>	<u>\$5,398,897</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, 2008*

Net Change in Fund Balances - Total Governmental Funds \$212,950

*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 depreciation exceeded capital outlays in the current period:

Capital Asset Additions	443,671	
Depreciation Expense	<u>(1,557,202)</u>	(1,113,531)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (171,061)

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

Grants	41,323	
Delinquent Taxes	<u>29,623</u>	70,946

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 140,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 1,644

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:

Vacation Benefits Payable	7,047	
Compensated Absences Payable	<u>3,587</u>	<u>10,634</u>

Change in Net Assets of Governmental Activities (\$848,418)

See accompanying notes to the basic financial statements

Fairland Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Property and Other Local Taxes	\$ 2,591,276	\$ 3,009,032	\$ 3,009,032	\$0
Intergovernmental	8,505,198	9,299,622	9,299,622	0
Interest	271,000	236,037	236,037	0
Tuition and Fees	640,340	704,283	704,283	0
Miscellaneous	8,000	10,376	10,376	0
Total Revenues	<u>12,015,814</u>	<u>13,259,350</u>	<u>13,259,350</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,626,398	6,573,405	6,573,405	0
Special	987,366	1,025,496	1,025,496	0
Vocational	57,499	55,147	55,147	0
Other	13,240	16,065	16,065	0
Support Services:				
Pupils	421,122	338,446	338,446	0
Instructional Staff	485,435	475,667	475,667	0
Board of Education	190,471	141,492	141,492	0
Administration	1,135,356	1,116,751	1,116,751	0
Fiscal	278,414	360,589	360,589	0
Operation and Maintenance of Plant	1,958,158	2,171,035	2,171,035	0
Pupil Transportation	958,182	959,750	959,750	0
Operation of Non-Instructional Services:				
Food Service Operations	855	5,095	5,095	0
Extracurricular Activities		3,000	3,000	0
Extracurricular Activities:				
Academic Oriented Activities	2,223	2,241	2,241	0
Sport Oriented Activities	152,730	164,019	164,019	0
School and Public Service Co-Curricular Activities	43,279	43,359	43,359	0
Total Expenditures	<u>13,267,449</u>	<u>13,451,557</u>	<u>13,451,557</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,251,635)</u>	<u>(192,207)</u>	<u>(192,207)</u>	<u>0</u>
Other Financing Sources (Uses):				
Insurance Recoveries		181,622	181,622	0
Transfers Out	(100,000)	(46,878)	(46,878)	0
Advances In	30,000	46,081	46,081	0
Total Other Financing Sources (Uses)	<u>(70,000)</u>	<u>180,825</u>	<u>180,825</u>	<u>0</u>
Net Change in Fund Balances	(1,321,635)	(11,382)	(11,382)	0
Fund Balance (Deficit) at Beginning of Year	4,465,977	4,465,977	4,465,977	0
Prior Year Encumbrances Appropriated	462,595	462,595	462,595	0
Fund Balance (Deficit) at End of Year	<u>\$ 3,606,937</u>	<u>\$ 4,917,190</u>	<u>\$ 4,917,190</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Fairland Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2008

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$38,221</u></u>
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Liabilities

Due to Students	<u><u>\$38,221</u></u>
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See accompanying notes to the basic financial statements

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 1 - Description of the School District and Reporting Entity

Fairland Local School District (the 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 four instructional/support facilities staffed by 67 classified, 106 certificated full time teaching personnel and eleven administrators who provide services to 1,810 students.

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

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

The School District is associated with four organizations, one of which is defined as a jointly governed organization and three as insurance purchasing pools. The jointly governed organization is the South Central Ohio Computer Association, and the insurance purchasing pools are the Ohio School Plan, The Lawrence County Schools' Insurance Purchasing Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the 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 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.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies (Continued)

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 (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type (primarily supported by fees and charges). The School District, however, has no business-type activities.

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 are the School District's major governmental funds:

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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

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 fund is an agency fund which accounts 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.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 6).

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, 2008, but which were levied to finance fiscal year 2009 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.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

During fiscal year 2008, investments were limited to overnight repurchase agreements and a certificate of deposit. These nonparticipating investment contracts and certificate of deposit 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 2008 amounted to \$236,714 which includes \$81,426 assigned from other School District funds.

The School District has set-aside cash balances for carryover to fiscal year 2008 for budget stabilization. These monies are presented as "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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. The certificate of deposit is presented on the financial statements as a cash equivalent.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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. 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. See Note 18 for additional information regarding set-asides.

Fairland Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Capital Assets

General capital assets are those assets specifically related to 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's capitalization threshold is \$5,000. 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
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

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. A liability is recorded for vacation eligible employees after one year of service with the School District. The liability for vacation benefits is recorded as "accrued vacation benefits payable".

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.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

M. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

N. 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, bus purchases, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Designated Fund Balance

The School District has a designation of fund balance on the balance sheet of \$58,859 in the General Fund for money set aside by the Board of Education for the potential future budget deficits.

P. 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 government wide statement of net assets reports \$1,802,870 of restricted net assets, none of which has resulted from enabling legislation.

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

Q. 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. Neither type of transaction occurred during fiscal year 2008.

R. 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.

S. 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 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 of Education's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board of Education. 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.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies (Continued)

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 of Education 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 of Education during the fiscal year.

Note 3 – Accountability and Compliance

Accountability

The following funds had deficit fund balances at June 30, 2008:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Foodservice	\$37,491
Poverty Based Assistance	79,200
IDEA-B	19,477
Title I	33,276
Title II-A Improving Teacher Quality	8,438
Title II-D Technology	1,318

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

Compliance

The School District was not in compliance with Ohio Rev. Code Section 5705.41(D)(1) which prohibits a subdivision from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 4 - 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 (Non-GAAP Basis) and Actual 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.

Net Change in Fund Balance

GAAP Basis	\$41,811
Revenue Accruals	(225,765)
Beginning of Year Prepaid Items	162,514
End of Year Prepaid Items	(8,976)
Advances In	46,081
Expenditure Accruals	48,904
Encumbrances	<u>(75,951)</u>
Budget Basis	<u>(11,382)</u>

Note 5 - Deposits and Investments

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

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

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

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 5 - Deposits and Investments (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to 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;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers' acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$616,926 of the School District's bank balance of \$716,926 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Fairland Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 5 - Deposits and Investments (Continued)

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments: The School District's investments are reported at fair value. As of June 30, 2008, the School District had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	\$6,229,750	1 day

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the settlement date and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is that securities must be marked to market daily. To date, no investments have been purchased with a life greater than one day.

Custodial Credit Risk For an investment, custodial credit risk is risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the School District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreements	\$6,229,750	100%

Note 6 - 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.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 6 - Property Taxes (Continued)

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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007.

In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 was 12.5 percent. This was reduced to 6.25 percent for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District primarily 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, 2008, are available to finance fiscal year 2008 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, 2008 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.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 6 - Property Taxes (Continued)

The amount available as an advance at June 30, 2008, was \$428,606 and is recognized as revenue: \$376,991 in the General Fund, \$44,862 in the Bond Retirement Fund and \$6,753 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2007 was \$177,525 in the General Fund, \$21,176 in the Bond Retirement Fund and \$3,578 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 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$136,030,630	94%	\$160,810,260	96%
Public Utility Personal	5,250,840	4%	4,742,430	3%
Tangible Personal Property	2,965,571	2%	1,887,860	1%
Total	\$144,247,041	100%	\$167,440,550	100%
Tax rate per \$1,000 of assessed valuation	\$22.88		\$22.88	

Note 7 - Receivables

Receivables at June 30, 2008, 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:

Intergovernmental Receivables	Amounts
General Fund	\$5,692
Special Revenue Funds:	
Special Education Grants to States	4,470
Title I Grants to Local Educational Agencies	82,932
State Grants for Innovative Programs	3,978
Safe and Drug Free Schools and Communities State Grants	4,619
Improving Teacher Quality State Grants	6,121
Total Special Revenue Funds	102,120
Total Intergovernmental Receivables	\$107,812

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>6/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2008</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	\$198,591	\$0	\$0	\$198,591
Total Capital Assets not being Depreciated	<u>198,591</u>	<u>0</u>	<u>0</u>	<u>198,591</u>
Depreciable Capital Assets:				
Buildings and Improvements	42,830,284	201,362	(201,118)	42,830,528
Furniture and Equipment	2,446,083	0	0	2,446,083
Vehicles	1,061,684	242,309	0	1,303,993
Total Capital Assets being Depreciated	<u>46,338,051</u>	<u>443,671</u>	<u>(201,118)</u>	<u>46,580,604</u>
Less Accumulated Depreciation				
Buildings and Improvements	(9,727,970)	(1,334,801)	30,057	(11,032,714)
Furniture and Equipment	(879,333)	(147,979)	0	(1,027,312)
Vehicles	(892,518)	(74,422)	0	(966,940)
Total Accumulated Depreciation	<u>(11,499,821)</u>	<u>(1,557,202) *</u>	<u>30,057</u>	<u>(13,026,966)</u>
Total Capital Assets being Depreciated, Net	<u>34,838,230</u>	<u>(1,113,531)</u>	<u>(171,061)</u>	<u>33,553,638</u>
Capital Assets, Net	<u>\$35,036,821</u>	<u>(\$1,113,531)</u>	<u>(\$171,061)</u>	<u>\$33,752,229</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,248,207
Support Services:	
Instructional Staff	113,697
Administration	1,600
Operation of Plant	63,394
Pupil Transportation	63,607
Food Service Operations	12,047
Extracurricular Activities	16,386
Central	38,264
Total Depreciation Expense	<u>\$1,557,202</u>

The School District's capital assets report above includes \$4,103,463 in fully depreciated assets that are still being utilized by the School District.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 9 - 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 2008, 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 for property, fleet, and liability insurance. 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 16).

The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$43,506,869
Automobile Liability:	
Liability	3,000,000
Medical Payments	5,000
Uninsured Motorists	1,000,000

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 – Completed Operations Aggregate Limit	1,000,000
Fire Legal Liability	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Bodily Injury By Accident – Each Accident	1,000,000
Bodily Injury By Disease	1,000,000
Bodily Injury By Disease – Each Employee	1,000,000
Employee Benefits Liability:	
Employee Benefits Injury – Each Offense Limit	1,000,000
Employee Benefits Injury Aggregate Limit	3,000,000
Excess Liability:	
Each Occurrence	2,000,000
Aggregate Limit	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 9 - Risk Management (Continued)

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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 10 - 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 63 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 all employees through Coresource, Inc. The coverage amount is \$40,000 for certified employees and \$25,000 for classified employees.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 10 - Employee Benefits (Continued)

Dental coverage is provided through Coresource Inc. Premiums for this coverage are \$67.20 monthly for family and \$22.57 monthly for single coverage. Employees contribute \$4 for family coverage and \$2 for single coverage.

During fiscal year 2008, health insurance was provided by United Health Care. Premiums for this coverage are \$1,698 for family coverage and \$688 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 83% 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 \$12.00 monthly premium for each employee. Employees may contribute \$17.38 per month to purchase family coverage if they so desire.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer 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 43215-3746.

Funding Policy - Plan members are required to contribute 10 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$165,325, \$175,491, and \$159,914 respectively; 43.17 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 11 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System

Plan Description - 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 43215-3771, by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

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 divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 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 2007, the portion used to fund pension obligations was also 13 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 percent for members and 14 percent 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 STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$810,258, \$805,110, and \$804,418 respectively; 82.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$6,795 made by the School District and \$6,471 made by the plan members.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 11 - Defined Benefit Pension Plans (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose the Social Security or the School Retirement System. As of June 30, 2008, one member of the Board of Education elected Social Security. The contribution rate is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. *School Employee Retirement System*

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$28,119.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$115,377, \$83,399, and \$81,518 respectively; 38.47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$12,297, \$10,863, and \$12,728 respectively; 44.95 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 12 - Postemployment Benefits (Continued)

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$62,328, \$61,932 and \$61,878 respectively; 82.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 13 - Long Term Obligations

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

	Principal Outstanding 6/30/07	Additions	Reductions	Principal Outstanding 06/30/08	Amounts Due in One Year
Governmental Activities					
OSFC Bonds, 1999 5.02%	\$3,060,000	\$0	\$140,000	\$2,920,000	\$145,000
Sick Leave Benefits	757,643	52,200	55,787	754,056	93,307
Total Governmental Activities					
Long-Term Liabilities	<u>\$3,817,643</u>	<u>\$52,200</u>	<u>\$195,787</u>	<u>\$3,674,056</u>	<u>\$238,307</u>

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 Fund.

Sick leave benefits will be paid from the fund from which the employees’ salaries are paid. These funds include the General Fund, Food Service Fund, Poverty Based Assistance Fund (PBA), Title I Grants to Local Educational Agencies Fund, Special Education Grants to States Fund, and Improving Teacher Quality State Grants Fund.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 13 - Long Term Obligations (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$145,000	\$147,961	\$292,961
2010	155,000	141,248	296,248
2011	160,000	134,080	294,080
2012	170,000	125,300	295,300
2013	180,000	114,800	294,800
2014-2018	1,055,000	405,075	1,460,075
2019-2022	1,055,000	108,875	1,163,875
Total	<u>\$2,920,000</u>	<u>\$1,177,339</u>	<u>\$4,097,339</u>

The overall debt margin of the School District as of June 30, 2008, was \$13,113,881 with an unvoted debt margin of \$167,441.

The School District has a commercial guarantee relating to its automated clearing house credits agreement which is used by the school district for processing payroll direct deposit transactions.

Note 14 – Interfund Balances and Transfers

Interfund receivables and payables at June 30, 2008 consist of the following individual balances, representing monies advanced to federal grant funds to be repaid when grant funds are received:

	Interfund Receivable	Interfund Payable
General Fund:	\$13,076	\$0
Special Revenue Funds:		
Special Education Grants to States	0	4,479
State Grants for Innovative Programs	0	3,979
Safe and Drug Free Schools and Communities State Grants	0	4,618
Total Special Revenue Funds	<u>0</u>	<u>13,076</u>
Total All Funds	<u>\$13,076</u>	<u>\$13,076</u>

During fiscal year 2008, the General Fund made transfers to the Foodservice Fund in the amount of \$21,000, to the Uniform School Supplies Fund in the amount of \$21,000, and to the Education Management Information System Fund in the amount of \$4,878 to cover deficit balances in those funds.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 15 - 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. Fairland Local School District paid \$97,381 for services provided during fiscal year 2008. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Note 16 - 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 17 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is currently not a party to any legal proceedings.

Fairland Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 18 - 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.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2004, the Board of Education approved maintaining the budget reserve funds in the budget reserve pursuant to State Statute and at June 30, 2008, this continues to be set aside.

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 Reserve Balance as of June 30, 2007	\$43,460	\$0	\$0
Current Year Set-Aside Requirement	0	225,649	225,649
Current Year Offsets	0	0	(69,402)
Qualifying Disbursements	0	(225,649)	(271,099)
Totals	<u>\$43,460</u>	<u>\$0</u>	<u>(\$114,852)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$43,460</u>	<u>\$0</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2008	<u>\$43,460</u>	<u>\$0</u>	<u>\$0</u>

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	2008	10.553	\$59,624		\$59,624	
National School Lunch Program	2008	10.555	194,433		194,433	
Food Donation	2008			\$90,063		\$90,063
Total National School Lunch Program			<u>194,433</u>	<u>90,063</u>	<u>194,433</u>	<u>90,063</u>
Total Nutrition Cluster			<u>254,057</u>	<u>90,063</u>	<u>254,057</u>	<u>90,063</u>
Total U.S. Department of Agriculture			254,057	90,063	254,057	90,063
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	2007	84.010	85,135		85,286	
	2008		390,326		389,754	
Total Title I Grants to Local Educational Agencies			<u>475,461</u>	<u>0</u>	<u>475,040</u>	<u>0</u>
Special Education - Grants to States	2007	84.027	80,073		84,819	
	2008		431,220		435,690	
Total Special Education - Grants to States			<u>511,293</u>	<u>0</u>	<u>520,509</u>	<u>0</u>
Safe and Drug Free Schools and Communities - State Grants	2007	84.186	5,916			
	2008		3,927		8,546	
Total Safe and Drug Free Schools and Communities - State Grants			<u>9,843</u>	<u>0</u>	<u>8,546</u>	<u>0</u>
State Grants for Innovative Programs	2007	84.298	2,354			
	2008		263		4,242	
Total State Grants for Innovative Programs			<u>2,617</u>	<u>0</u>	<u>4,242</u>	<u>0</u>
Education Technology State Grants	2007	84.318	497			
	2008		4,097		3,614	
Total Education Technology State Grants			<u>4,594</u>	<u>0</u>	<u>3,614</u>	<u>0</u>
Improving Teacher Quality State Grants	2007	84.367	15,139		27,558	
	2008		101,903		97,418	
Total Improving Teacher Quality State Grants			<u>117,042</u>	<u>0</u>	<u>124,976</u>	<u>0</u>
Total U.S. Department of Education			<u>1,120,850</u>	<u>0</u>	<u>1,136,927</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,374,907</u>	<u>\$90,063</u>	<u>\$1,390,984</u>	<u>\$90,063</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
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - TRANSFER BETWEEN GRANT YEARS

During fiscal year 2008, there was a transfer between grant years to account for carryover of grant monies. This transfer was reflected as a negative receipt in the old grant year and a positive receipt under the new grant year. The transfer was made between the 2007 and 2008 grant years as follows:

Program:	Amount:	From Grant Year:	To Grant Year:
CFDA 84.027	\$4,470	2007	2008

NOTE E - POSTING OF CHILD NUTRITION CLUSTER MONIES

During fiscal year 2007, the School District posted School Breakfast Program and National School Lunch Program reimbursements in June 2007. Those monies were not received until August 2007. Those receipts were for April and May 2007 reimbursements and were reflected as receipts and expenditures on the fiscal year 2007 Schedule. Reimbursements were included on the fiscal year 2007 Schedule as follows:

From:	Amount:	Passthrough Number:
CFDA 10.553	\$13,158	05PU-2007
CFDA 10.555	\$37,080	LLP4-2007

The above amounts were included on the fiscal year 2008 Federal Subsidy Summary Report. However, since the amounts were included on the fiscal year 2007 Schedule, the amounts were excluded from the fiscal year 2008 Schedule.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 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, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 22, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the School District's management in a separate letter dated April 22, 2009.

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Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 22, 2009.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 22, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to each of its major federal programs for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to each of its major federal programs for the year ended June 30, 2008.

In a separate letter to the School District's management dated April 22, 2009, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School District's management 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 22, 2009

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

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 weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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):	Nutrition Cluster CFDA # 10.553 and 10.555 Title I Grants to Local Educational Agencies CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the School District can authorize the drawing of a warrant for the payment of the amount due. The School District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The School District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The School District did not always encumber the School District's disbursements prior to purchases being made. Of the purchases tested, 25% of the purchases were not properly encumbered.

Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Unless the School District uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the School District's funds exceeding budgetary spending limitations, we recommend the School District Treasurer certify that funds are or will be available prior to obligation by the School District. When prior certification is not possible, "then and now" certification should be used.

We recommend the School District officials and employees obtain the School District Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The School District Treasurer should sign the certification at the time the School District incurs the commitment, and only when the requirements of Section 5705.41(D) are satisfied. The School District Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

We did not receive a response from Officials to the finding.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

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 7, 2009**