



**FAIRLESS LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P. O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**FAIRLESS LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet – All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund.....	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual All Governmental Fund Types and Expendable Trust Fund.....	10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings Proprietary Fund Type .....	14
Combined Statement of Revenues, Expenses and Changes in Fund Equity – Budget (Non-GAAP Basis) and Actual Proprietary Fund Type .....	15
Combined Statement of Cash Flows - Proprietary Fund Type .....	16
Notes to the General Purpose Financial Statements.....	19
Schedule of Receipts and Expenditures of Federal Awards.....	43
Notes to the Schedule of Receipts and Expenditures of Federal Awards .....	44
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	45
Report of Independent Accountants on Compliance and with Requirements Applicable to Major Federal Programs and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	47
Schedule of Findings.....	49

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fairless Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairless Local School District, Stark County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type 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 January 2, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

January 2, 2003



**This page intentionally left blank.**

**Fairless Local School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*June 30, 2002*

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Enterprise
<b><i>Assets and Other Debits</i></b>			
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,318,698	\$173,934	\$160,495
Receivables:			
Taxes	5,377,605	0	0
Accounts	673	0	539
Intergovernmental	0	113,708	22,406
Materials and Supplies Inventory	0	0	1,786
Inventory Held for Resale	0	0	18,490
Prepaid Items	1,368	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	62,894	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	69,083
<b>Other Debits</b>			
Amount to be Provided from General Government Resources	0	0	0
<b><i>Total Assets and Other Debits</i></b>	<b>\$12,761,238</b>	<b>\$287,642</b>	<b>\$272,799</b>

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Obligations		
	\$37,262	\$0	\$0	\$7,690,389
	0	0	0	5,377,605
	0	0	0	1,212
	0	0	0	136,114
	0	0	0	1,786
	0	0	0	18,490
	0	0	0	1,368
	0	0	0	62,894
	0	8,198,009	0	8,267,092
	0	0	566,070	566,070
	<u>\$37,262</u>	<u>\$8,198,009</u>	<u>\$566,070</u>	<u>\$22,123,020</u>

(continued)

**Fairless Local School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (continued)*  
*June 30, 2002*

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
<b><i>Liabilities, Fund Equity and Other Credits</i></b>			
<b>Liabilities</b>			
Accounts Payable	\$28,952	\$0	\$531
Accrued Wages and Benefits	1,229,623	87,933	44,586
Compensated Absences Payable	8,136	0	6,011
Intergovernmental Payable	143,703	7,442	21,719
Deferred Revenue	5,255,345	34,522	0
Due to Students	0	0	0
	<u>6,665,759</u>	<u>129,897</u>	<u>72,847</u>
<b><i>Total Liabilities</i></b>			
<b>Fund Equity and Other Credits</b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	199,952
Fund Balances:			
Reserved for Encumbrances	163,248	11,902	0
Reserved for Property Taxes	122,260	0	0
Reserved for Budget Stabilization	50,600	0	0
Reserved for Capital Improvements	12,294	0	0
Unreserved:			
Designated for Budget Stabilization	139,156	0	0
Undesignated	5,607,921	145,843	0
	<u>6,095,479</u>	<u>157,745</u>	<u>199,952</u>
<b><i>Total Fund Equity and Other Credits</i></b>	<u>6,095,479</u>	<u>157,745</u>	<u>199,952</u>
	<u>\$12,761,238</u>	<u>\$287,642</u>	<u>\$272,799</u>
<b><i>Total Liabilities, Fund Equity and Other Credits</i></b>	<u>\$12,761,238</u>	<u>\$287,642</u>	<u>\$272,799</u>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
	\$0	\$0	\$0
	0	0	0
	0	482,558	496,705
	0	83,512	256,376
	0	0	5,289,867
31,262	0	0	31,262
<u>31,262</u>	<u>0</u>	<u>566,070</u>	<u>7,465,835</u>
0	8,198,009	0	8,198,009
0	0	0	199,952
0	0	0	175,150
0	0	0	122,260
0	0	0	50,600
0	0	0	12,294
0	0	0	139,156
6,000	0	0	5,759,764
<u>6,000</u>	<u>8,198,009</u>	<u>0</u>	<u>14,657,185</u>
<u>\$37,262</u>	<u>\$8,198,009</u>	<u>\$566,070</u>	<u>\$22,123,020</u>

**Fairless Local School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances*  
All Governmental Fund Types and Expendable Trust Fund  
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Revenues</b>			
Taxes	\$5,197,590	\$0	\$0
Intergovernmental	6,857,749	805,391	53,200
Interest	187,783	0	0
Tuition and Fees	5,271	0	0
Extracurricular Activities	0	164,044	0
Contributions and Donations	11,870	0	0
Charges for Services	73,301	0	0
Rentals	1,530	0	0
Miscellaneous	25,801	251	0
	<u>12,360,895</u>	<u>969,686</u>	<u>53,200</u>
<i>Total Revenues</i>			
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,012,992	80,487	0
Special	750,249	358,762	0
Vocational	136,624	0	0
Support Services:			
Pupils	666,296	28,218	0
Instructional Staff	424,126	125,722	0
Board of Education	13,123	0	0
Administration	1,131,957	74,735	0
Fiscal	217,795	0	0
Operation and Maintenance of Plant	1,103,659	0	0
Pupil Transportation	796,711	0	0
Central	10,496	8,968	0
Operation of Non-Instructional Services	194	133,392	0
Extracurricular Activities	245,899	118,217	0
Capital Outlay	278,485	0	68,634
	<u>11,788,606</u>	<u>928,501</u>	<u>68,634</u>
<i>Total Expenditures</i>			
<i>Excess of Revenues Over (Under) Expenditures</i>	572,289	41,185	(15,434)
<i>Fund Balances Beginning of Year</i>	5,523,190	116,560	15,434
<i>Fund Balances End of Year</i>	<u>\$6,095,479</u>	<u>\$157,745</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$0	\$5,197,590
0	7,716,340
0	187,783
0	5,271
0	164,044
0	11,870
0	73,301
0	1,530
0	26,052
<u>0</u>	<u>13,383,781</u>
0	6,093,479
0	1,109,011
0	136,624
0	694,514
0	549,848
0	13,123
0	1,206,692
0	217,795
0	1,103,659
0	796,711
0	19,464
1,000	134,586
0	364,116
0	347,119
<u>1,000</u>	<u>12,786,741</u>
(1,000)	597,040
<u>7,000</u>	<u>5,662,184</u>
<u>\$6,000</u>	<u>\$6,259,224</u>

**Fairless Local School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types and Expendable Trust Fund  
For the Fiscal Year Ended June 30, 2002*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues</b>			
Taxes	\$5,243,078	\$5,217,658	(\$25,420)
Intergovernmental	6,638,000	6,857,749	219,749
Interest	310,000	187,783	(122,217)
Tuition and Fees	15,000	5,271	(9,729)
Extracurricular Activities	0	0	0
Contributions and Donations	10,000	11,870	1,870
Charges for Services	95,500	73,301	(22,199)
Rentals	2,000	1,530	(470)
Miscellaneous	15,000	25,891	10,891
<i>Total Revenues</i>	<u>12,328,578</u>	<u>12,381,053</u>	<u>52,475</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,139,040	6,109,152	29,888
Special	764,840	761,325	3,515
Vocational	144,565	139,528	5,037
Support Services:			
Pupils	668,117	667,617	500
Instructional Staff	445,743	425,929	19,814
Board of Education	14,006	13,020	986
Administration	1,156,407	1,131,703	24,704
Fiscal	285,167	245,086	40,081
Operation and Maintenance of Plant	1,140,155	1,114,152	26,003
Pupil Transportation	823,620	785,279	38,341
Central	12,832	11,857	975
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	243,360	242,584	776
Capital Outlay	519,114	298,485	220,629
<i>Total Expenditures</i>	<u>12,356,966</u>	<u>11,945,717</u>	<u>411,249</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(28,388)	435,336	463,724
<i>Fund Balances Beginning of Year</i>	6,628,054	6,628,054	0
Prior Year Encumbrances Appropriated	<u>144,505</u>	<u>144,505</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$6,744,171</u></u>	<u><u>\$7,207,895</u></u>	<u><u>\$463,724</u></u>



Special Revenue Funds			Capital Projects Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
764,633	726,205	(38,428)	71,200	53,200	(18,000)
0	0	0	0	0	0
0	0	0	0	0	0
140,425	164,044	23,619	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
4,000	251	(3,749)	0	0	0
<u>909,058</u>	<u>890,500</u>	<u>(18,558)</u>	<u>71,200</u>	<u>53,200</u>	<u>(18,000)</u>
121,569	83,024	38,545	67,200	68,634	(1,434)
369,829	359,247	10,582	0	0	0
0	0	0	0	0	0
31,544	28,218	3,326	0	0	0
131,454	122,404	9,050	0	0	0
0	0	0	0	0	0
95,190	81,611	13,579	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
12,350	9,363	2,987	0	0	0
161,003	139,589	21,414	0	0	0
115,400	119,432	(4,032)	0	0	0
0	0	0	0	0	0
<u>1,038,339</u>	<u>942,888</u>	<u>95,451</u>	<u>67,200</u>	<u>68,634</u>	<u>(1,434)</u>
(129,281)	(52,388)	76,893	4,000	(15,434)	(19,434)
181,430	181,430	0	15,434	15,434	0
32,990	32,990	0	0	0	0
<u>\$85,139</u>	<u>\$162,032</u>	<u>\$76,893</u>	<u>\$19,434</u>	<u>\$0</u>	<u>(\$19,434)</u>

(continued)

**Fairless Local School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types and Expendable Trust Fund (continued)  
For the Fiscal Year Ended June 30, 2002*

	Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$0	\$0	\$0
Intergovernmental	0	0	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Charges for Services	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	1,000	1,000	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
<i>Total Expenditures</i>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,000)	(1,000)	0
<i>Fund Balances Beginning of Year</i>	7,000	7,000	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$6,000</u></u>	<u><u>\$6,000</u></u>	<u><u>\$0</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$5,243,078	\$5,217,658	(\$25,420)
7,473,833	7,637,154	163,321
310,000	187,783	(122,217)
15,000	5,271	(9,729)
140,425	164,044	23,619
10,000	11,870	1,870
95,500	73,301	(22,199)
2,000	1,530	(470)
19,000	26,142	7,142
<u>13,308,836</u>	<u>13,324,753</u>	<u>15,917</u>
6,327,809	6,260,810	66,999
1,134,669	1,120,572	14,097
144,565	139,528	5,037
699,661	695,835	3,826
577,197	548,333	28,864
14,006	13,020	986
1,251,597	1,213,314	38,283
285,167	245,086	40,081
1,140,155	1,114,152	26,003
823,620	785,279	38,341
25,182	21,220	3,962
162,003	140,589	21,414
358,760	362,016	(3,256)
519,114	298,485	220,629
<u>13,463,505</u>	<u>12,958,239</u>	<u>505,266</u>
(154,669)	366,514	521,183
6,831,918	6,831,918	0
<u>177,495</u>	<u>177,495</u>	<u>0</u>
<u><u>\$6,854,744</u></u>	<u><u>\$7,375,927</u></u>	<u><u>\$521,183</u></u>

**Fairless Local School District**  
*Combined Statement of Revenues, Expenses  
and Changes in Retained Earnings  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2002*

	Enterprise
<b>Operating Revenues</b>	
Sales	\$364,545
 <b>Operating Expenses</b>	
Salaries and Wages	175,599
Fringe Benefits	129,947
Purchased Services	25,968
Materials and Supplies	64,197
Cost of Sales	239,468
Depreciation	6,354
Other	128
<i>Total Operating Expenses</i>	641,661
 <i>Operating Loss</i>	(277,116)
 <b>Non-Operating Revenues and Expenses</b>	
Donated Commodities	52,650
Interest	237
Operating Grants	188,315
Loss on the Sale of Fixed Assets	(1,233)
 <i>Total Non-Operating Revenues and Expenses</i>	239,969
 <i>Net Loss</i>	(37,147)
 <i>Retained Earnings Beginning of Year - Restated (Note 3)</i>	237,099
 <i>Retained Earnings End of Year</i>	\$199,952

See accompanying notes to the general purpose financial statements

**Fairless Local School District**  
*Combined Statement of Revenues, Expenses*  
*and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual*  
*Proprietary Fund Type*  
*For the Fiscal Year Ended June 30, 2002*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Sales	\$382,645	\$364,006	(\$18,639)
Operating Grants	135,300	165,909	30,609
Interest	200	237	37
<i>Total Revenues</i>	<u>518,145</u>	<u>530,152</u>	<u>12,007</u>
<b>Expenses</b>			
Salaries and Wages	204,196	202,170	2,026
Fringe Benefits	101,500	100,860	640
Purchased Services	26,495	26,495	0
Materials and Supplies	273,133	265,019	8,114
Capital Outlay	1,975	1,975	0
Other	150	128	22
<i>Total Expenses</i>	<u>607,449</u>	<u>596,647</u>	<u>10,802</u>
<i>Excess of Revenues Under Expenses</i>	(89,304)	(66,495)	22,809
<i>Fund Equity Beginning of Year</i>	224,133	224,133	0
Prior Year Encumbrances Appropriated	<u>1,799</u>	<u>1,799</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$136,628</u></u>	<u><u>\$159,437</u></u>	<u><u>\$22,809</u></u>

See accompanying notes to the general purpose financial statements

**Fairless Local School District**  
*Combined Statement of Cash Flows*  
*Proprietary Fund Type*  
*For the Fiscal Year Ended June 30, 2002*

	Enterprise
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$364,006
Cash Payments for Goods and Services	(290,456)
Cash Payments to Employees for Services	(202,170)
Cash Payments for Employee Benefits	(100,860)
Cash Payments for Other Operating Expenses	(128)
<i>Net Cash Used for Operating Activities</i>	(229,608)
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants Received	165,909
<b>Cash Flows from Capital and Related Financing Activities</b>	
Payments for Capital Acquisitions	(1,975)
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	237
<i>Net Decrease in Cash and Cash Equivalents</i>	(65,437)
<i>Cash and Cash Equivalents Beginning of Year</i>	225,932
<i>Cash and Cash Equivalents End of Year</i>	\$160,495
	(continued)

**Fairless Local School District**  
*Combined Statement of Cash Flows*  
*Proprietary Fund Type (continued)*  
*For the Fiscal Year Ended June 30, 2002*

	<u>Enterprise</u>
<b><i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i></b>	
<i>Operating Loss</i>	<u>(\$277,116)</u>
<b>Adjustments:</b>	
Depreciation	6,354
Donated Commodities Used During Year	42,017
(Increase)/Decrease in Assets:	
Accounts Receivable	(539)
Inventory Held for Resale	(3,578)
Materials and Supplies Inventory	207
Increase/(Decrease) in Liabilities:	
Accounts Payable	531
Accrued Wages	1,056
Compensated Absences Payable	(3,547)
Intergovernmental Payable	<u>5,007</u>
<i>Total Adjustments</i>	<u>47,508</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$229,608)</u></u>

**Non Cash Non Capital Financing Activities**

Federal Donated Commodities in the amount of \$52,650 were recorded as revenue when received.

See accompanying notes to the general purpose financial statements

**This page intentionally left blank.**



**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

**Note 1 - Description of the School District and Reporting Entity**

Fairless 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 is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District is governed by a five-member board of education (the Board) elected by its citizens, which is responsible for the provision of public education to residents of the School District.

The School District encompasses all or portions of several villages and townships which are almost entirely located in Stark County, Ohio and serves an area of approximately 107 square miles. The School District's facilities are staffed by 84 classified employees, 130 certificated employees and 8 administrators who provide services to 1,916 students and other community members. The School District operates three elementary schools and a high school.

*Reporting Entity*

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

*Non-public School* - Within the School District boundaries, St. Clement School is operated as a non-public school. Current State legislation provides funding to this school. These monies are received and disbursed on behalf of the schools by the Treasurer of the School District, as directed by the non-public school. This activity is reflected in a special revenue fund by the School District for financial reporting purposes.

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. Fairless Local School District does not have any component units.

The School District participates in three jointly governed organizations and two public entity risk pools. These organizations are the Stark/Portage Area Computer Consortium, the Stark County Joint Vocational School, Stark County Tax Incentive Review Council and the Stark County Schools Council of Governments Health Benefit Plan and the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan. They are presented in Notes 15 and 16.

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

**Note 2 - Summary of Significant Accounting Policies**

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

***A. Basis of Presentation - Fund Accounting***

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

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

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

*Governmental Fund Types*

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

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

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

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

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

*Proprietary Fund Type*

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

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

*Fiduciary Fund Types*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has one expendable trust fund which is accounted for in essentially the same manner as governmental funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups*

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

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

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

***B. Measurement Focus and Basis of Accounting***

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

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

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

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

**Revenue Recognition** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 year-end.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before 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 the governmental funds.

**C. Budgetary Process**

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

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level for all funds except the general fund, without resolution by the Board of Education. The legal level of budgetary control has been established by the Board of Education at the object level within each function for the general fund and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

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

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

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

***Appropriations*** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, at the object level within each function for the general fund and at the fund level for all other funds, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

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

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

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

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

***D. Cash and Cash Equivalents***

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

During fiscal year 2002, investments were limited to repurchase agreements, which are reported at cost, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

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 2002 amounted to \$187,783, which includes \$8,777 assigned from other School District funds.

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

***E. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***F. Inventory***

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

***G. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by state statute to be set-aside by the School District for the unspent workers' compensation monies. See Note 19 for additional information regarding set-asides.

***H. Fixed Assets and Depreciation***

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

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

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of eight to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

***I. Compensated Absences***

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

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30, by those employees who are currently eligible to receive termination benefits and by those employees who are expected to become eligible in the future.

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

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

***J. Accrued Liabilities and Long-Term Obligations***

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year-end are generally considered not to have been paid with current available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities of those funds.

***K. Interfund Transactions***

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

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***L. Fund Balance Reserves and Designations***

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

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 unspent workers' compensation money.

The School District has established a budget stabilization reserve under Ohio Revised Code Section 5705.13(a). The amount remaining in this reserve is presented as Designated Fund Balance on the combined balance sheet.

***M. Estimates***

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

***N. Total Columns on General Purpose Financial Statements***

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



**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

**Note 3 – Restatement of Fixed Assets**

Fixed assets in the food service enterprise fund were understated by \$5,598 in the prior year. At June 30, 2001, retained earnings of \$231,501 were restated to \$237,099.

The general fixed assets account group was restated by \$69,183 from \$7,682,986 to \$7,752,169.

**Note 4 – Accountability and Legal Compliance**

**A. Accountability**

Fund balances at June 30, 2002, included the following individual fund deficits in the special revenue funds:

Title I	\$38,478
Summer Intervention	111
Local Professional Development	19

The deficit in the special revenue funds resulted from accrual accounting. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**B. Legal Compliance**

Contrary to Section 5705.41B, Ohio Revised Code, the following fund, function, and object line items had expenditures plus encumbrances in excess of appropriations for the general fund and funds only for the remaining funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<i>General Fund</i>			
Support Services - Operation and Maintenance of Plant Materials and Supplies	\$116,836	\$131,211	\$14,375
<i>Special Revenue Funds:</i>			
District Managed Activity	115,400	119,432	4,032
Disadvantaged Pupil Impact Aid	17,800	17,826	26
Title VI-B	169,296	172,724	3,428
Title VI	10,439	11,252	813
School Net Capital Projects Fund	67,200	68,634	1,434
<i>Agency Funds:</i>			
District Agency	2,500	3,191	691
Student Activities	99,275	116,535	17,260

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

**Note 5 - Budgetary Basis of Accounting**

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

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

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

Excess of Revenues Over (Under) Expenditures All Governmental Fund Types and Expendable Trust Fund				
	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$572,289	\$41,185	(\$15,434)	(\$1,000)
Net Adjustment for Revenue Accruals	20,158	(79,186)	0	0
Net Adjustment for Expenditure Accruals	16,586	(2,485)	0	0
Adjustment for Encumbrances	(173,697)	(11,902)	0	0
Budget Basis	\$435,336	(\$52,388)	(\$15,434)	(\$1,000)

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

Net Loss/Excess of Revenues Under Expenses Proprietary Fund Type	Enterprise
GAAP Basis	(\$37,147)
Donated Commodities	4,737
Net Adjustment for Revenue Accruals	(38,315)
Net Adjustment for Expense Accruals	909
Depreciation	6,354
Capital Outlay	(1,975)
Adjustment for Encumbrances	(1,058)
Budget Basis	(\$66,495)

**Note 6 - Deposits and Investments**

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

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

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

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

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

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

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

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

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

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

*Deposits:* At fiscal year-end, the carrying amount of the School District's deposits was \$74,255 and the bank balance was \$249,189. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$149,189 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the School District's name and all State

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$139,186	\$139,186	\$139,186
STAROhio		7,539,842	7,539,842
Total		\$7,679,028	\$7,679,028

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

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

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement No. 9	\$7,753,283	\$0
Investments which are part of a cash management pool:		
Repurchase Agreements	(139,186)	139,186
STAROhio	(7,539,842)	7,539,842
GASB Statement No. 3	\$74,255	\$7,679,028

**Note 7 - Property Taxes**

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

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$115,484,230	76.22%	\$135,302,460	80.28%
Public Utility Property	10,779,250	7.11	8,387,190	4.98
Tangible Personal Property	25,258,801	16.67	24,845,572	14.74
<b>Total Assessed Value</b>	<b>\$151,522,281</b>	<b>100.00%</b>	<b>\$168,535,222</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	 \$47.50		 \$47.00	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

The School District receives property taxes from Stark 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, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available to the School District as an advance at June 30, 2002, was \$122,260 to the general fund.

**Note 8 - Intergovernmental Receivables**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<i>Special Revenue Funds:</i>	
Ohio Reads Grant Fund	\$72,211
Title I	27,975
Title VI-R	7,511
Drug Free Schools Grant Fund	3,499
Title VI-B	1,440
Eisenhower Professional Development	1,072
Total Special Revenue Funds	113,708
Food Service Enterprise Fund	22,406
Total	\$136,114

**Note 9 - Fixed Assets**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

	Totals
Furniture and Equipment	\$194,897
Less Accumulated Depreciation	(125,814)
Net Fixed Assets	\$69,083

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	Balance 6/30/01	Additions	Deletions	Balance 6/30/02
Land and Improvements	\$150,402	\$165,570	\$0	\$315,972
Buildings and Improvements	4,273,748	87,137	0	4,360,885
Furniture and Equipment	2,201,739	180,691	15,952	2,366,478
Vehicles	1,126,280	166,784	138,390	1,154,674
Total	<u>\$7,752,169</u>	<u>\$600,182</u>	<u>\$154,342</u>	<u>\$8,198,009</u>

There was no significant construction in progress at June 30, 2002.

**Note 10 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the School District contracted with Malcolm Insurance Group for various types of insurance as follows:

Company	Type of Coverage	Amount of Coverage
Malcolm Insurance Group	Buildings and Contents	
	Replacement Cost	\$28,400,960
	Inland Marine Coverage	999,597
	Automobile Liability	1,000,000
	Employers Liability	2,000,000
	Education Liability	2,000,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

***B. Employee Health Benefits***

The School District participates in the Stark County Schools Council of Governments Health Benefit Plan, a shared risk pool (Note 16) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The School District's Board of Education pays the entire cost of a monthly premium.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.



**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

***C. Workers' Compensation***

The School District participates in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan, an insurance purchasing pool (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 performances are compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "Equity Pooling Fund" arrangement insures that each participant shares equally 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 Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

**Note 11 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.20 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$90,342, \$208,549, and \$189,917, respectively; 61.00 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$35,235 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

***B. State Teachers Retirement System***

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$540,012, \$727,041, and \$694,815, respectively; 90.04 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$53,780 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

**Note 12 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependants are eligible for health care coverage. The STRS Board has statutory authority over much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$255,795 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001 net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$141,303.

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Note 13 - Other Employee Benefits**

**A. Compensated Absences**

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 268 days for all personnel. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit, up to a maximum of 65 days, for both classified and certified employees.

**B. Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to all of its employees through the Unum Life Insurance Company in the amount of \$50,000.

**Note 14 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Outstanding 6/30/01	Additions	Reductions	Outstanding 6/30/02
<b>General Obligation Account Group:</b>				
Copensated Absences Payable	\$511,733	\$78,451	\$107,626	\$482,558
Intergovernmental Payable	84,927	83,512	84,927	83,512
<b>Total General Long-Term Obligations</b>	<b>\$596,660</b>	<b>\$161,963</b>	<b>\$192,553</b>	<b>\$566,070</b>

The intergovernmental payable represents pension obligations paid outside the available period and will be paid from the fund from which the person is paid. Compensated absences will be paid from the fund from which the person is paid.

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

**Note 15 - Jointly Governed Organizations**

***Stark/Portage Area Computer Consortium*** The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments pursuant to State statutes made up of public school districts and county boards of education from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. Fairless Local School District paid \$25,733 to SPARCC during fiscal year 2002 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38<sup>th</sup> Street NW, Canton, Ohio 44709.

***Stark County Joint Vocational School*** The Stark County Joint Vocational School is a district political subdivision of the State of Ohio operated under the direction of a seven member Board, consisting of one representative from each of the six participating district's boards, one board member that rotates from each participating district, and has its own budgeting and taxing authority. Financial information can be obtained by writing the Stark County Joint Vocational School, 6805 Richville Drive, S.W., Massillon, Ohio 44646.

***Stark County Tax Incentive Review Council*** Stark County Tax Incentive Review Council (SCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. SCTIRC has 24 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the enterprise zones of Stark County. The SCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the SCTIRC is not dependent upon the School District's continued participation and no measurable equity interest exists.

**Note 16 - Public Entity Risk Pools**

***A. Shared Risk Pool***

***Stark County Schools Council of Governments Health Benefit Plan*** The Stark County Schools Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

***B. Insurance Purchasing Pool***

***Stark County Schools Council of Governments Workers' Compensation Group Rating Plan*** The Stark County Schools Council of Governments Workers' Compensation Group Rating Plan has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The governing body is comprised of the superintendents and the members who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the School District and the other group members. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on its payroll percent of the group.

**Note 17 - Segment Information for Enterprise Funds**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Totals
Operating Revenues	\$333,493	\$31,052	\$364,545
Depreciation	6,354	0	6,354
Operating Loss	(265,633)	(11,483)	(277,116)
Donated Commodities	52,650	0	52,650
Operating Grants	188,315	0	188,315
Net Loss	(25,664)	(11,483)	(37,147)
Long-Term Compensated Absences	6,011	0	6,011
Net Working Capital	99,667	25,191	124,858
Total Assets	247,608	25,191	272,799
Total Equity	174,761	25,191	199,952
Encumbrances June 30, 2002	1,058	0	1,058

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

**Note 18 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are 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, 2002.

**B. Litigation**

The Fairless Local School District is not a party to legal proceedings.

**Note 19 - Set-Asides**

The Fairless Local 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2001	(\$104,513)	\$0	\$50,600
Current Year Set-Aside Requirement	215,986	215,986	0
Qualifying Disbursements	(251,960)	(203,692)	0
Totals	<u>(\$140,487)</u>	<u>\$12,294</u>	<u>\$50,600</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$140,487)</u>	<u>\$0</u>	<u>\$50,600</u>
Set-Aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$12,294</u>	<u>\$50,600</u>

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbook set-aside. This extra amount may be used to reduce the set-aside requirement of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$62,894.

**Fairless Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

---

**Note 20 – State School Funding Decision**

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

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

**This page intentionally left blank.**



**FAIRLESS LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster: Food Distribution	Not Applicable	10.550	\$0	\$37,280	\$0	\$42,017
School Breakfast Program	Not Applicable	10.553	22,414	0	22,414	0
National School Lunch Program	Not Applicable	10.555	<u>136,597</u>	<u>0</u>	<u>136,597</u>	<u>0</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>159,011</u>	<u>37,280</u>	<u>159,011</u>	<u>42,017</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education:</i>						
Eisenhower Professional Development State Grant	049841-MS-S1-2001	84.281	0	0	4,903	0
	049841-MS-S1-2002		<u>9,649</u>	<u>0</u>	<u>4,480</u>	<u>0</u>
Total Eisenhower Professional Development State Grant			9,649	0	9,383	0
Special Education Grants to States	049841-6BSF-2001-P	84.027	18,782	0	38,559	0
	049841-6BSF-2002-P		<u>149,516</u>	<u>0</u>	<u>134,165</u>	<u>0</u>
Total Special Education Grants to States			168,298	0	172,724	0
Title I Grants to Local Educational Agencies	049841-C1S1-2000	84.010	0	0	9,729	0
	049841-C1S1-2001		23,860	0	61,125	0
	049841-C1S1-2002		<u>264,794</u>	<u>0</u>	<u>247,256</u>	<u>0</u>
Total Title I Grants to Local Educational Agencies			288,654	0	318,110	0
Innovative Education Program Strategies	049841-C2-S1-2001	84.298	2,217	0	3,070	0
	049841-C2S1-2002		<u>10,399</u>	<u>0</u>	<u>8,182</u>	<u>0</u>
Total Innovative Education Program Strategies			12,616	0	11,252	0
Class Size Reduction	049841-CRS1-2001	84.340	6,853	0	13,757	0
	049841-CRS1-2002		<u>52,100</u>	<u>0</u>	<u>35,819</u>	<u>0</u>
Total Class Size Reduction			58,953	0	49,576	0
Safe and Drug Free Schools and Communities State Grants	049841-DRS1-2001	84.186	775	0	3,592	0
	049841-DRS1-2002		<u>3,775</u>	<u>0</u>	<u>1,897</u>	<u>0</u>
Total Safe and Drug Free Schools and Communities State Grants			4,550	0	5,489	0
Total U.S. Department of Education			<u>542,720</u>	<u>0</u>	<u>566,534</u>	<u>0</u>
<b>Totals</b>			<u><b>\$701,731</b></u>	<u><b>\$37,280</b></u>	<u><b>\$725,545</b></u>	<u><b>\$42,017</b></u>

The accompanying notes to this schedule are an integral part of this schedule.

**FAIRLESS LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the general purpose financial statements of the Fairless Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 2, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 2, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 2, 2003.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

January 2, 2003



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Fairless Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control Over Compliance**

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

January 2, 2003

**FAIRLESS LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None







STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**FAIRLESS LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2003**