



**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lancaster-Fairfield Community School  
Fairfield County  
345 East Mulberry Street  
Lancaster, Ohio 43130

To the Board of Directors:

We have audited the accompanying basic financial statements of the Lancaster-Fairfield Community School, Fairfield County, Ohio (the LFCS) as of and for the year ended June 30, 2006. These financial statements are the responsibility of the LFCS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lancaster-Fairfield Community School, Fairfield County, Ohio, as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2007, on our consideration of the LFCS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

April 3, 2007

**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

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The discussion and analysis of the Lancaster-Fairfield Community School's (LFCS) financial performance provides an overall review of the LFCS's financial activities for the fiscal year ended June 30, 2006. Readers should also review the basic financial statements and notes to enhance their understanding of the LFCS's financial performance.

**Highlights**

LFCS completed its second year of operation during fiscal year 2006 as a seventh through twelfth grade Community school for students placed by the Fairfield County Juvenile Court. Enrollment varied during the year but averaged 44 students.

Key highlights for fiscal year 2006 are as follows:

- Net assets decreased \$61,903.
- LFCS had an operating loss of \$66,299 compared to an operating income of \$98,210 in fiscal year 2005.
- Total assets decreased \$219,583 or 67 percent, due to a \$212,220 decrease in cash and cash equivalents and a \$7,363 decrease in intergovernmental receivable.
- Total liabilities decreased \$157,680 due mainly to LFCS paying their contract service payments to Lancaster City School District (the Sponsor) and to the Fairfield County Juvenile Department in a timely manner.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how LFCS did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report LFCS's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of LFCS has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

LFCS uses enterprise presentation for all of its activities.

**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

Table 1 provides a summary of LFCS's net assets for 2006 compared to 2005.

Table 1  
Net Assets

	<u>2006</u>	<u>2005</u>	<u>Change</u>
<u>Assets:</u>			
Current and Other Assets	<u>\$107,325</u>	<u>\$326,908</u>	<u>(\$219,583)</u>
<u>Liabilities:</u>			
Current Liabilities	<u>49,197</u>	<u>206,877</u>	<u>(157,680)</u>
<u>Net Assets:</u>			
Unrestricted	<u>58,128</u>	<u>120,031</u>	<u>(61,903)</u>
Total Net Assets	<u><u>\$58,128</u></u>	<u><u>\$120,031</u></u>	<u><u>(\$61,903)</u></u>

Total assets decreased \$219,583. The decrease was due to a decrease in ending cash balance of \$212,220 and a decrease in intergovernmental receivables of \$7,363. Liabilities decreased \$157,680. Decreases in cash balances and liabilities were due mainly to LFCS paying their contract service payments to Lancaster City School District (the Sponsor) and to the Fairfield County Juvenile Department in a timely manner.

Table 2 reflects the changes in net assets for fiscal year 2006 and 2005.

Table 2  
Change in Net Assets

	<u>2006</u>	<u>2005</u>	<u>Change</u>
<u>Operating Revenues:</u>			
Foundation	\$396,476	\$306,639	\$89,837
<u>Non-Operating Revenues:</u>			
Non-Operating Grants	3,000	21,821	(18,821)
Interest Revenue	1,396	0	1,396
Total Revenues	<u>400,872</u>	<u>328,460</u>	<u>72,412</u>
<u>Operating Expenses:</u>			
Purchased Services	461,202	208,365	252,837
Materials and Supplies	322	64	258
Other Operating Expenses	1,251	0	1,251
Total Expenses	<u>462,775</u>	<u>208,429</u>	<u>254,346</u>
Total Increase (Decrease) in Net Assets	<u><u>(\$61,903)</u></u>	<u><u>\$120,031</u></u>	<u><u>(\$181,934)</u></u>



**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

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Fiscal year 2006 reflects an increase in foundation revenues and expenses due to the increase in the number of students served by the LFCA. The decrease in operating grants was due to the LFCS receiving a grant from the Ohio Department of Education for a one-time Special Education Part B Flow Thru Grant for handicap upgrades to the facility in fiscal year 2005. The operating grant monies in 2006 were for Educational Management Information Services (EMIS). The purchased services expenses represent costs for staffing services with the Fairfield County Juvenile Court and the Fairfield County Educational Service Center.

**Budgeting**

LFCS is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

**Capital Assets and Debt Administration**

Capital Assets

During fiscal year 2006, LFCS did not have any capital assets. LFCS used the facility of the Fairfield County Juvenile Court.

Debt

LFCS has not incurred any debt.

**Current Issues**

LFCS continues to help students receive an education. LFCS serves the most at-risk students who are faced with problems such as delinquency and drug use. These challenges make educating these students a challenge but one the LFCS is uniquely qualified to do.

**Contacting the LFCS's Financial Management**

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the LFCS's finances and to show the LFCS's accountability for the money it receives. If you have any questions about this report or need additional financial information please contact Stephen St. Clair, Interim Treasurer, Lancaster-Fairfield Community School, 345 Mulberry Street, Lancaster, Ohio 43130. Or E-Mail at [S\\_STCLAIR@LANCASTER.K12.OH.US](mailto:S_STCLAIR@LANCASTER.K12.OH.US).

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**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

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<u>Assets:</u>	
Current Assets:	
Cash and Cash Equivalents	\$85,461
Intergovernmental Receivable	21,864
Total Assets	<u>107,325</u>
 <u>Liabilities:</u>	
Intergovernmental Payable	47,576
Deferred Revenue	1,621
Total Liabilities	<u>49,197</u>
 <u>Net Assets:</u>	
Unrestricted	58,128
Total Net Assets	<u>\$58,128</u>

See accompanying notes to the basic financial statements

**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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<u>Operating Revenues:</u>	
Foundation	<u>\$396,476</u>
<u>Operating Expenses:</u>	
Purchased Services	461,202
Materials and Supplies	322
Other Operating Expenses	1,251
Total Operating Expenses	<u>462,775</u>
Operating Loss	(66,299)
<u>Non-Operating Revenues:</u>	
Non-Operating Grants	3,000
Interest Revenue	1,396
Total Non-Operating Revenues	<u>4,396</u>
Change in Net Assets	(61,903)
Net Assets at Beginning of Year	<u>120,031</u>
Net Assets at End of Year	<u><u>\$58,128</u></u>

See accompanying notes to the basic financial statements

**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Foundation	\$398,097
Cash Payments to Suppliers for Goods and Services	(630,401)
Other Operating Expenses	(1,251)
Net Cash Used for Operating Activities	<u>(233,555)</u>

Cash Flows from Noncapital Financing Activities:

Non-Operating Grants Received	19,939
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Cash Flows from Investing Activities:

Interest on Investments	<u>1,396</u>
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Net Increase in Cash and Cash Equivalents	(212,220)
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Cash and Cash Equivalents Beginning of Year	<u>297,681</u>
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Cash and Cash Equivalents End of Year	<u><u>\$85,461</u></u>
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Reconciliation of Operating Loss to

Net Cash Used for Operating Activities:

Operating Loss	(\$66,299)
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Changes in Assets and Liabilities:

Increase in Intergovernmental Receivable	(9,576)
Decrease in Intergovernmental Payable	(159,301)
Increase in Deferred Revenue	<u>1,621</u>

Net Cash Used for Operating Activities	<u><u>(\$233,555)</u></u>
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See accompanying notes to the basic financial statements

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**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Note 1 - Description of the School**

The Lancaster-Fairfield Community School (LFCS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The LFCS's mission is to utilize a holistic approach to the education of at-risk students, offering students a variety of programs that address the physical, social, emotional, and educational needs of the students. The LFCS feels it is necessary to assist at-risk youth in developing positive behaviors and attitudes and become successful learners. Currently the LFCS only services students within the Lancaster City School District, Sponsor school district.

LFCS began operations on October 8, 2004. LFCS entered into a five year contract with the Lancaster City School District (the Sponsor). The Sponsor is responsible for evaluating the performance of LFCS and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the LFCS with the Treasurer of the Sponsor completing the role of Treasurer for the LFCS.

LFCS operates under the direction of a seven-member Board of Directors made up of three-members from the Lancaster City School District, one member from a local school district within Fairfield County, one member from the Fairfield County Juvenile Court, the superintendent of the Fairfield County Educational Service Center, and one member from the Fairfield County Job and Family Services department. The Sponsor can suspend the LFCS's operations for any of the following reasons: 1) The LFCS's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The LFCS's failure to meet generally accepted standards of fiscal management, 3) The LFCS's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of LFCS and the children it serves. During fiscal year 2006, LFCS paid purchased services to the Fairfield County Juvenile Court and the Fairfield County Educational Service Center for providing staffing services. Thus, LFCS did not have any employees. LFCS used the facilities of the Fairfield County Juvenile Court.

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

The financial statements of the LFCS have been prepared in conformity with generally accepted accounting principals (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. LFCS also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the LFCS's accounting policies are described below.

**A. Basis of Presentation**

The LFCS's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

LFCS uses a single enterprise presentation for its financial report. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**B. Measurement Focus**

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of LFCS are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets. The statement of cash flows reflects how LFCS finances meet its cash flow needs.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. LFCS's financial statements are prepared using the accrual basis of accounting. 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. Revenue resulting from nonexchange transactions, in which LFCS receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which LFCS must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to LFCS on a reimbursement basis. Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided by LFCS's contract with its Sponsor. The contract between LFCS and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

**E. Cash and Cash Equivalents**

Cash received by LFCS is reflected as "Cash and Cash Equivalents" on the statement of net assets. LFCS had no investments during the fiscal year ended June 30, 2006.

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by LFCS or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. LFCS applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

At fiscal year end, LFCS had no restricted net assets and no monies restricted by enabling legislation.

**G. Restricted Assets**

Certain resources are set aside due to restricted state and federal grants.



**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**H. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of LFCS. Operating expenses are necessary costs incurred to provide the service that is the primary activity of LFCS. All revenues and expenses not meeting this definition are reported as non-operating.

**I. Estimates**

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

**Note 3 – Changes in Accounting Principles**

For the fiscal year ended June 30, 2006, the LFCS implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. There was no effect on the financial statements.

**Note 4 - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, LFCS's deposits may not be returned. LFCS does not have a deposit policy for custodial credit risk. At June 30, 2006, LFCS's carrying amount was \$ 85,461 and the bank balance was \$130,248. \$100,000 of the bank balance was covered by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$30,248 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by LFCS.

**Note 5 - Receivables**

At June 30, 2006, receivables consisted of an intergovernmental receivable of \$21,864 from the State Teacher Retirement System (STRS). The STRS receivable was due to payments being processed to STRS in error through the State Foundation payments. The receivables are expected to be collected in full within one year.

**Note 6 - Risk Management**

LFCS 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 2006, LFCS contracted with Hilb, Rogal, and Hobbs for insurance coverage with the Netherlands Insurance Company. The types and amounts of coverage provided are as follows:

**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Note 6 - Risk Management (Continued)**

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Medical Expense Limit - Any One Person/Occurrence	10,000
Damage to Rented Premises - Each Occurrence	500,000
Personal and Advertising Injury	1,000,000
Errors and Omissions (Deductible \$2,500):	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage.

**Note 7 – Purchased Services**

For fiscal year 2006, purchased service expenses were for the following services:

Type	Amount
Legal and Audit Services	\$6,150
Bond Insurance	1,623
Miscellaneous services	2,284
Metropolitan Educational Council for computer services	6,275
Special Education Part B Flow thru Grant expenses	18,821
Fairfield County Educational Service Center for staffing services	89,897
Fairfield County Juvenile Court for staffing and EMIS services	336,152
Total	<u>\$461,202</u>

**Note 8 – Contract with the Fairfield County Juvenile Court and the Fairfield County Educational Service Center**

LFCS signed a contract with the Fairfield County Juvenile Court for use of their facility and for personnel services to supervise the students of LFCS. The Fairfield County Juvenile Court is entitled to seventy percent of the base formula funding, adjusted by the Sponsor's cost of doing business factor, received by the LFCS through the State foundation.

LFCS signed a contract with the Fairfield County Educational Service Center for services of an Occupational Work Experience teacher.

**LANCASTER-FAIRFIELD COMMUNITY SCHOOL  
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 9 – Related-Party Transactions**

LFCS's Sponsor appoints three of the seven Board members. For the year ended June 30, 2006, LFCS paid \$42,720 to the Sponsor for reimbursement of teacher services, EMIS services, and postage.

**Note 10 – Contingencies**

**A. Grants**

LFCS received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the LFCS. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the LFCS at June 30, 2006.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by LFCS. These reviews are conducted to ensure LFCS is reporting accurate student enrollment data to the State, upon which foundation funding is calculated. During fiscal year 2006, LFCS repaid \$1,251 to the State for overpayments received in fiscal year 2005. The fiscal year 2006 review resulted in the discovery of an overpayment to LFCS in the amount of \$1,621. This amount has been reflected as deferred revenue and will be deducted from foundation funding in fiscal year 2007.

**C. Litigation**

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Academy is not presently determinable.

**Note 11 – Subsequent Events**

Effective March 27, 2007, all of the members of the Board of Directors resigned due to guidance regarding changes to community school laws included in Ohio House Bill 79 that became effective March 30, 2007.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lancaster-Fairfield Community School  
Fairfield County  
345 East Mulberry Street  
Lancaster, Ohio 43130

To the Board of Directors:

We have audited the basic financial statements of the Lancaster-Fairfield Community School, Fairfield County, Ohio (the LFCS) as of and for the year ended June 30, 2006, and have issued our report thereon dated April 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LFCS's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the LFCS's management dated April 3, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### Compliance and Other Matters

As part of reasonably assuring whether the LFCS's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the LFCS's management dated April 3, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

April 3, 2007



Mary Taylor, CPA  
Auditor of State

LANCASTER-FAIRFIELD COMMUNITY SCHOOL

FAIRFIELD COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 10, 2007