

FAIRFIELD UNION LOCAL SCHOOL DISTRICT
ANNUAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Dave Yost • Auditor of State

Board of Education
Fairfield Union Local School District
6417 Cincinnati-Zanesville Road NE
Lancaster, Ohio 43130

We have reviewed the *Independent Auditors' Report* of the Fairfield Union Local School District, Fairfield County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fairfield Union Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 9, 2012

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**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Board of Education
Fairfield Union Local School District
Lancaster, Ohio 43130

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfield Union Local School District, Fairfield County as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfield Union Local School District, Fairfield County as of June 30, 2011, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in conformity generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2011, on our consideration of Fairfield Union Local School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As stated in Note 3, the District implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type definitions" and GASB No. 59 "Financial Instruments Omnibus" during the year ended June 30, 2011.

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

We conducted our audit to opine of the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards expenditures present additional information and is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 17, 2011

Fairfield Union Local School District

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**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The management's discussion and analysis of the Fairfield Union Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities increased \$1,860,997 which represents a 3.31% increase from 2010.
- General revenues accounted for \$17,830,449 in revenue or 75.58% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$5,762,408 or 24.42% of total revenues of \$23,592,857.
- The District had \$21,731,860 in expenses related to governmental activities; only \$5,762,408 of these expenses was offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,830,449 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the building fund, and the classroom facilities fund. The general fund had \$18,943,547 in revenues and other financing sources and \$18,469,817 in expenditures and other financing uses. During fiscal 2011, the general fund's fund balance increased \$473,730 from a restated fund balance of \$4,171,848 to \$4,645,578.
- The building fund had \$9,635 in revenues and \$845,651 in expenditures. The fund balance of the building fund decreased from \$5,270,662 to \$4,434,646.
- The classroom facilities fund had \$1,334,326 in revenues and \$7,252,005 in expenditures. The fund balance of the classroom facilities fund decreased from \$11,209,769 to \$5,292,090.

Using the Basic Financial Statements (BFS)

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, building fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as a major funds.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, building fund, and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statement of fiduciary net assets on page 24. This activity is excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-57 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 30,605,205	\$ 36,895,150
Capital assets, net	62,883,385	56,460,034
Total assets	93,488,590	93,355,184
<u>Liabilities</u>		
Current liabilities	7,459,943	8,625,424
Long-term liabilities	27,914,377	28,476,487
Total liabilities	35,374,320	37,101,911
<u>Net Assets</u>		
Invested in capital assets, net of related debt	36,235,228	39,830,246
Restricted	15,379,397	11,441,189
Unrestricted	6,499,645	4,981,838
Total net assets	\$ 58,114,270	\$ 56,253,273

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$58,114,270. The increase in capital assets is due to the District's ongoing construction to build new facilities. The decrease in current assets is due to the decrease in cash and cash equivalents for expenditures related to the construction.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

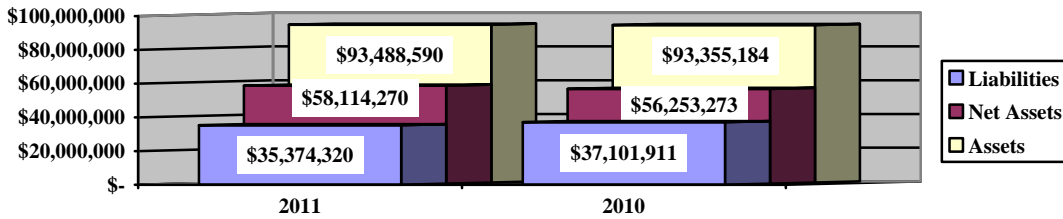
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

At year-end, capital assets represented 67.26% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, library and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$36,235,228. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$15,379,397, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$6,499,645 may be used to meet the District's ongoing obligations to the students and creditors.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2011 and 2010:

Governmental Activities



The table below shows the change in net assets for fiscal year 2011 and 2010.

	<u>Change in Net Assets</u>	
	Governmental Activities 2011	Governmental Activities 2010
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,991,615	\$ 2,007,594
Operating grants and contributions	3,575,109	2,011,831
Capital grants and contributions	195,684	450,000
General revenues:		
Property taxes	4,890,866	4,034,923
Income taxes	4,461,209	4,092,299
Grants and entitlements	8,408,050	13,318,684
Investment earnings	27,597	616,455
Other	42,727	151,783
Total revenues	<u>23,592,857</u>	<u>26,683,569</u>

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,510,163	\$ 9,489,271
Special	2,028,525	2,336,153
Vocational	362,683	399,514
Other	294,304	315,333
Support services:		
Pupil	1,216,948	881,887
Instructional staff	813,701	761,344
Board of education	35,843	40,261
Administration	1,289,858	1,448,945
Fiscal	584,384	590,950
Operations and maintenance	1,591,481	1,388,212
Pupil transportation	1,284,974	1,426,466
Central	104,283	195,818
Operation of non-instructional services:		
Other non-instructional services	5,343	8,245
Food service operations	812,119	869,020
Extracurricular activities	642,007	647,982
Interest and fiscal charges	<u>1,155,244</u>	<u>1,180,147</u>
Total expenses	<u>21,731,860</u>	<u>21,979,548</u>
Change in net assets	1,860,997	4,704,021
Net assets at beginning of year	<u>56,253,273</u>	<u>51,549,252</u>
Net assets at end of year	<u>\$ 58,114,270</u>	<u>\$ 56,253,273</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,860,997. Total governmental expenses of \$21,731,860 were offset by program revenues of \$5,762,408 and general revenues of \$17,830,449. Program revenues supported 26.52% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 75.28% of total governmental revenue. Real estate property is reappraised every six years.

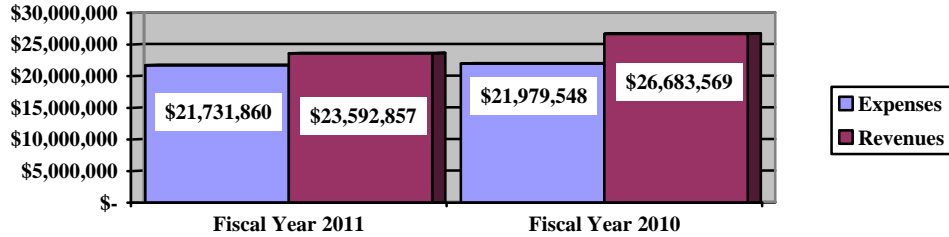
The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,195,675 or 56.12% of total governmental expenses for fiscal year 2011.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2011 and 2010.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program expenses				
Instruction:				
Regular	\$ 9,510,163	\$ 6,656,377	\$ 9,489,271	\$ 8,338,129
Special	2,028,525	917,070	2,336,153	1,279,957
Vocational	362,683	266,526	399,514	359,567
Other	294,304	282,001	315,333	270,016
Support services:				
Pupil	1,216,948	736,005	881,887	351,993
Instructional staff	813,701	812,924	761,344	694,766
Board of education	35,843	35,843	40,261	(79,579)
Administration	1,289,858	1,284,745	1,448,945	1,393,275
Fiscal	584,384	584,384	590,950	590,950
Operations and maintenance	1,591,481	1,575,674	1,388,212	1,268,372
Pupil transportation	1,284,974	1,236,967	1,426,466	1,319,941
Central	104,283	92,908	195,818	171,070
Operation of non-instructional services:				
Other non-instructional services	5,343	2,218	8,245	(8,476)
Food service operations	812,119	(40,638)	869,020	14,864
Extracurricular activities	642,007	371,204	647,982	365,131
Interest and fiscal charges	<u>1,155,244</u>	<u>1,155,244</u>	<u>1,180,147</u>	<u>1,180,147</u>
Total expenses	<u><u>\$ 21,731,860</u></u>	<u><u>\$ 15,969,452</u></u>	<u><u>\$ 21,979,548</u></u>	<u><u>\$ 17,510,123</u></u>

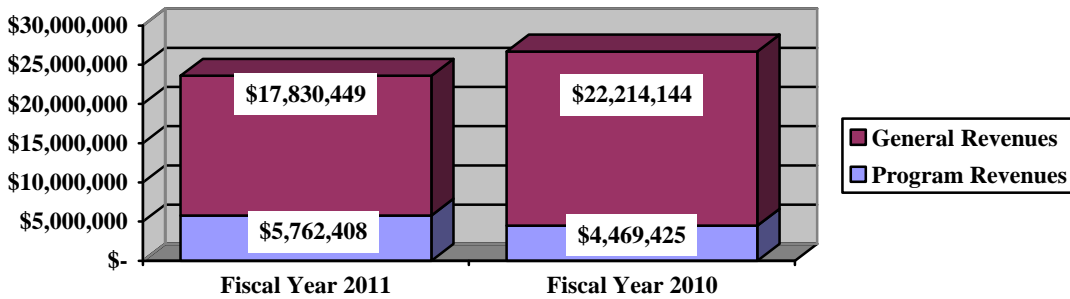
**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 66.60% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.48%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$19,499,754, which is \$5,194,200 lower than last year's total of \$24,693,954. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balances at June 30, 2010 as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase <u>(Decrease)</u>
General	\$ 4,645,578	\$ 4,171,848	\$ 473,730
Building	4,434,646	5,270,662	(836,016)
Classroom facilities	5,292,090	11,209,769	(5,917,679)
Other Governmental	<u>5,127,440</u>	<u>4,041,675</u>	<u>1,085,765</u>
Total	<u>\$19,499,754</u>	<u>\$24,693,954</u>	#####

General Fund

The District's general fund's fund balance increased by \$473,730. The increase in fund balance can be attributed to the District's ability to continually monitor expenditures and practice cost containment strategies to keep expenditure increases as low as possible.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2011</u>	Restated <u>2010</u>	Percentage <u>Change</u>
	<u>Amount</u>	<u>Amount</u>	
<u>Revenues</u>			
Property taxes	\$ 4,036,584	\$ 3,437,479	17.43 %
Income taxes	4,375,535	4,092,299	6.92 %
Tuition	1,237,756	1,331,561	(7.04) %
Earnings on investments	26,050	26,373	(1.22) %
Intergovernmental	9,105,294	9,396,311	(3.10) %
Other revenues	<u>155,279</u>	<u>100,790</u>	54.06 %
 Total	 <u>\$ 18,936,498</u>	 <u>\$ 18,384,813</u>	 3.00 %
<u>Expenditures</u>			
Instruction	\$ 9,947,245	\$ 9,317,352	6.76 %
Support services	6,437,730	6,394,061	0.68 %
Extracurricular activities	421,200	451,913	(6.80) %
Debt service	<u>85,117</u>	<u>85,095</u>	0.03 %
 Total	 <u>\$ 16,891,292</u>	 <u>\$ 16,248,421</u>	 3.96 %

Property tax revenues increased 17.43%. This increase can be attributed to an increase in advances available to the District at fiscal year-end along with residential growth within the District. The amount of taxes available for advance fluctuates based on the timing of the tax bills sent by the County Auditor. The other revenues increase of 54.06% is due to an increase in classroom materials and fees revenue from the prior fiscal year. The increase in instruction expenditures was due partially to an increase in the costs of wages and benefits.

Building Fund

The building fund had \$9,635 in revenues and \$845,651 in expenditures. The expenditures in the building fund are for the District's locally funded initiative portion of the Ohio School Facilities Commission (OSFC) building project. The fund balance of the building fund decreased from \$5,270,662 to \$4,434,646.

Classroom Facilities Fund

The classroom facilities fund had \$1,334,326 in revenues and \$7,252,005 in expenditures. The revenues and expenditures in this fund are related to the District's OSFC building project. The fund balance of the classroom facilities fund decreased from \$11,209,769 to \$5,292,090.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the District amended its general fund budget. For the general fund, original revenues and other financing sources were \$18,329,600. The final budgeted revenues and other financing sources were increased to \$18,666,503. Actual revenues and other financing sources for fiscal year 2011 was \$18,668,687. This represents a \$2,184 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) were \$18,988,734. There were no amendments to the general fund appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$18,635,233, which was \$353,501 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$62,883,385 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, library and textbooks. The entire amount is reported in governmental activities. The following table shows June 30, 2011 balances compared to June 30, 2010:

**Capital Assets at June 30
(Net of Depreciation)**

	2011	2010
Land	\$ 356,747	\$ 356,747
Construction in progress	15,541,583	50,109,569
Land improvements	551,281	574,614
Building and improvements	42,961,225	1,782,827
Furniture and equipment	2,725,663	2,950,474
Vehicles	598,239	511,675
Library and textbooks	148,647	174,128
Total	<u>\$62,883,385</u>	<u>\$ 56,460,034</u>

Total additions to capital assets for 2011 were \$7,576,721. Disposals to capital assets for 2011 were \$217,317 (net of accumulated depreciation). Depreciation expense for fiscal year 2011 was \$936,053. Overall, capital assets of the District increased \$6,423,351.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2011, the District had \$26,329,300 in general obligation bonds, energy conservation notes, and capital lease obligations outstanding. Of this total, \$640,945 is due within one year and \$25,688,355 is due in greater than one year. The table on the following page summarizes the bonds outstanding.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Outstanding Debt, at Year End

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
General obligation bonds	\$ 25,839,548	\$ 26,299,548
Energy conservation note	170,000	215,000
Capital lease obligations	<u>319,752</u>	<u>387,779</u>
 Total	 <u>\$ 26,329,300</u>	 <u>\$ 26,902,327</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Although considered a lower mid-wealth district, Fairfield Union Local School District has been financially stable over the past several years. As indicated in the preceding financial information, the District is heavily dependent on intergovernmental revenue. Of the District's funding, 36 percent is received through the State's foundation program, which along with other various grants and entitlements makes up just over 50 percent of the District's revenue. The District relies on state and federal funding to operate at the current level of services. Therefore, in the long-term, the current program and staffing levels will be dependent on the increased funding to meet inflation. The careful financial planning and passage of additional local taxes when needed have permitted the District to provide a quality education for students, along with the maintenance of existing facilities.

The District will continue to rely on conservative financial planning and cost containment while pursuing new revenue sources. The State of Ohio received \$895 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds. These funds were used to help fill a deficit in state funds. These are not additional new funds, but federal stimulus funds being used to replace states funds that are not available. The District received \$587,464 in State Fiscal Stabilization funds in fiscal year 2010 and received \$696,322 in fiscal year 2011.

The District does not anticipate any meaningful growth in revenue but does anticipate a very meaningful loss of revenue as a result of changes to the State's budget. Based upon this anticipated loss of revenue, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Residential/agricultural property contributes approximately 90 percent of the District's real estate valuation.

On November 2, 2004, voters of the District approved a \$7.9 million bond issue. This issue represents the first phase of a two phased Facilities Master Plan for the District. The plan will result in two new elementary schools – one at Bremen and one at Pleasantville, and a new High School to be located immediately east of the current Junior-Senior High School Building.

Phase I of the project will retire short-term lease purchase agreements, provide some renovation to the current Junior-Senior High Building, and begin the design process for the new buildings.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Phase II of the project was approved by the voters in May 2006 by the passage of a 1.0 percent income tax. Phase II authorized additional bond issues of about \$18,000,000. The scope of Phase II includes the renovations to the Junior-Senior High Building, and the completion of the design, bidding and construction of three new buildings. The scope of the project was changed by OSFC to build a new Middle School and to only make renovations to part of the Junior-Senior High School.

With the passage of the May 2006 issue, the District has received a grant of about \$42 million, which will fund about two-thirds of the entire Facilities Master Plan.

As of August 2010, the two elementary schools at Bremen and Pleasantville and the new High School were open. The new Middle School and renovations at the Junior-Senior High School were completed in July 2011.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Kevin D. Miller, Treasurer of the Fairfield Union Local School District, 6417 Cincinnati-Zanesville Rd. NE, Lancaster, Ohio 43130.

BASIC
FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 20,471,039
Cash with escrow agent.	147,206
Cash with fiscal agent	1,969,189
Receivables:	
Property taxes	5,334,998
Income taxes.	1,547,784
Accounts.	3,611
Accrued interest.	2,392
Intergovernmental	645,715
Materials and supplies inventory.	99,623
Unamortized bond issuance costs	383,648
Capital assets:	
Land and construction in progress.	15,898,330
Depreciable capital assets, net.	46,985,055
Capital assets, net	62,883,385
 Total assets.	 93,488,590
 Liabilities:	
Accounts payable.	75,219
Contracts payable.	765,175
Retainage payable	147,206
Accrued wages and benefits	1,511,788
Pension obligation payable.	393,906
Intergovernmental payable	94,923
Unearned revenue	4,120,715
Accrued interest payable	92,689
Claims payable.	258,322
Long-term liabilities:	
Due within one year.	852,298
Due in more than one year.	27,062,079
 Total liabilities	 35,374,320
 Net Assets:	
Invested in capital assets, net of related debt.	36,235,228
Restricted for:	
Capital projects	11,243,335
Classroom facilities maintenance	673,551
Debt service.	2,263,533
State funded programs.	536,575
Federally funded programs	42,679
Student activities	209,827
Other purposes	409,897
Unrestricted.	6,499,645
 Total net assets	 \$ 58,114,270

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 9,510,163	\$ 1,282,412	\$ 1,375,690	\$ 195,684	\$ (6,656,377)
Special	2,028,525	-	1,111,455	-	(917,070)
Vocational	362,683	-	96,157	-	(266,526)
Other	294,304	-	12,303	-	(282,001)
Support services:					
Pupil.	1,216,948	-	480,943	-	(736,005)
Instructional staff	813,701	-	777	-	(812,924)
Board of education	35,843	-	-	-	(35,843)
Administration.	1,289,858	-	5,113	-	(1,284,745)
Fiscal.	584,384	-	-	-	(584,384)
Operations and maintenance	1,591,481	15,807	-	-	(1,575,674)
Pupil transportation.	1,284,974	-	48,007	-	(1,236,967)
Central	104,283	-	11,375	-	(92,908)
Operation of non-instructional services:					
Other non-instructional services	5,343	-	3,125	-	(2,218)
Food service operations	812,119	422,593	430,164	-	40,638
Extracurricular activities.	642,007	270,803	-	-	(371,204)
Interest and fiscal charges	1,155,244	-	-	-	(1,155,244)
Total governmental activities	\$ 21,731,860	\$ 1,991,615	\$ 3,575,109	\$ 195,684	(15,969,452)

General Revenues:

Property taxes levied for:	
General purposes	4,145,879
Debt service.	502,783
Capital outlay.	242,204
Income taxes levied for:	
General purposes	4,461,209
Grants and entitlements not restricted to specific programs	
Investment earnings	8,408,050
Miscellaneous	27,597
	42,727
Total general revenues	17,830,449
Change in net assets	1,860,997
Net assets at beginning of year.	56,253,273
Net assets at end of year	\$ 58,114,270

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 4,505,833	\$ 4,451,483	\$ 6,040,428	\$ 5,111,056	\$ 20,108,800
Cash with escrow agent.	-	-	147,206	-	147,206
Receivables:					
Property taxes.	4,536,479	-	-	798,519	5,334,998
Income taxes.	1,547,784	-	-	-	1,547,784
Accounts.	1,411	-	-	2,200	3,611
Accrued interest.	2,392	-	-	-	2,392
Intergovernmental.	-	-	-	645,715	645,715
Materials and supplies inventory.	90,050	-	-	9,573	99,623
Due from other funds.	32,275	-	-	-	32,275
Total assets.	<u>\$ 10,716,224</u>	<u>\$ 4,451,483</u>	<u>\$ 6,187,634</u>	<u>\$ 6,567,063</u>	<u>\$ 27,922,404</u>
Liabilities:					
Accounts payable.	\$ 73,318	\$ -	\$ -	\$ 1,901	\$ 75,219
Contracts payable.	-	16,837	748,338	-	765,175
Retainage payable.	-	-	147,206	-	147,206
Accrued wages and benefits.	1,419,923	-	-	91,865	1,511,788
Compensated absences payable.	142,885	-	-	-	142,885
Intergovernmental payable.	92,063	-	-	2,860	94,923
Unearned revenue.	3,508,260	-	-	612,455	4,120,715
Deferred revenue.	475,056	-	-	663,502	1,138,558
Pension obligation payable.	359,141	-	-	34,765	393,906
Due to other funds.	-	-	-	32,275	32,275
Total liabilities.	<u>6,070,646</u>	<u>16,837</u>	<u>895,544</u>	<u>1,439,623</u>	<u>8,422,650</u>
Fund Balances:					
Nonspendable:					
Materials and supplies inventory.	90,050	-	-	9,573	99,623
Restricted:					
Debt service.	-	-	-	2,300,504	2,300,504
Capital improvements.	-	-	5,292,090	1,488,798	6,780,888
Classroom facilities maintenance.	-	-	-	673,551	673,551
Food service operations.	-	-	-	436,686	436,686
Targeted academic assistance.	-	-	-	282	282
Extracurricular.	-	-	-	209,827	209,827
Other purposes.	-	-	-	8,402	8,402
Committed:					
Capital improvements.	-	4,434,646	-	-	4,434,646
Student and staff support.	14,981	-	-	-	14,981
Assigned:					
Student instruction.	22,935	-	-	-	22,935
Student and staff support.	162,473	-	-	-	162,473
Other purposes.	1,010	-	-	-	1,010
Unassigned (deficit).	4,354,129	-	-	(183)	4,353,946
Total fund balances.	<u>4,645,578</u>	<u>4,434,646</u>	<u>5,292,090</u>	<u>5,127,440</u>	<u>19,499,754</u>
Total liabilities and fund balances.	<u>\$ 10,716,224</u>	<u>\$ 4,451,483</u>	<u>\$ 6,187,634</u>	<u>\$ 6,567,063</u>	<u>\$ 27,922,404</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	19,499,754
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			62,883,385
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	557,998	
Accrued interest receivable		577	
Intergovernmental receivable		579,983	
Total		579,983	1,138,558
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			2,073,106
Bond issuance costs are not recognized in the funds.			383,648
Unamortized premiums on bond issuance costs are not recognized in the funds.			(318,857)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(92,689)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(25,839,548)	
Capital lease obligations		(319,752)	
Energy conservation notes		(170,000)	
Compensated absences		(1,123,335)	
Total		(27,452,635)	(27,452,635)
Net assets of governmental activities		\$	58,114,270

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 4,036,584	\$ -	\$ -	\$ 727,846	\$ 4,764,430
Income taxes	4,375,535	-	-	85,674	4,461,209
Tuition	1,237,756	-	-	-	1,237,756
Earnings on investments	26,050	9,635	134,662	6,647	176,994
Charges for services	-	-	-	422,593	422,593
Extracurricular	52,089	-	-	218,714	270,803
Classroom materials and fees	44,656	-	-	-	44,656
Rental income	15,807	-	-	-	15,807
Contributions and donations	-	-	-	6,958	6,958
Other local revenues	42,727	-	46,477	-	89,204
Intergovernmental - state	9,079,820	-	1,153,187	236,867	10,469,874
Intergovernmental - federal	25,474	-	-	2,052,320	2,077,794
Total revenues	18,936,498	9,635	1,334,326	3,757,619	24,038,078
Expenditures:					
Current:					
Instruction:					
Regular	7,615,562	-	-	709,063	8,324,625
Special	1,658,369	-	-	345,507	2,003,876
Vocational	380,741	-	-	-	380,741
Other	292,573	-	-	11,024	303,597
Support services:					
Pupil	912,123	-	-	332,235	1,244,358
Instructional staff	800,534	-	-	858	801,392
Board of education	42,973	-	-	-	42,973
Administration	1,361,348	-	-	5,104	1,366,452
Fiscal	577,562	-	-	13,833	591,395
Operations and maintenance	1,429,697	-	-	61,176	1,490,873
Pupil transportation	1,220,585	-	-	47,387	1,267,972
Central	92,908	-	-	11,375	104,283
Operation of non-instructional services:					
Other non-instructional services	-	-	-	4,310	4,310
Food service operations	-	-	-	841,246	841,246
Extracurricular activities	421,200	-	-	196,604	617,804
Facilities acquisition and construction	-	845,651	7,252,005	31,811	8,129,467
Debt service:					
Principal retirement	68,027	-	-	505,000	573,027
Interest and fiscal charges	17,090	-	-	1,134,846	1,151,936
Total expenditures	16,891,292	845,651	7,252,005	4,251,379	29,240,327
Excess (deficiency) of revenues over (under) expenditures	2,045,206	(836,016)	(5,917,679)	(493,760)	(5,202,249)
Other financing sources (uses):					
Sale of capital assets	7,049	-	-	1,000	8,049
Transfers in	-	-	-	1,578,525	1,578,525
Transfers (out)	(1,578,525)	-	-	-	(1,578,525)
Total other financing sources (uses)	(1,571,476)	-	-	1,579,525	8,049
Net change in fund balances	473,730	(836,016)	(5,917,679)	1,085,765	(5,194,200)
Fund balances at beginning of year (restated).	4,171,848	5,270,662	11,209,769	4,041,675	24,693,954
Fund balances at end of year	\$ 4,645,578	\$ 4,434,646	\$ 5,292,090	\$ 5,127,440	\$ 19,499,754

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ (5,194,200)

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

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

Capital asset additions	\$ 7,576,721	
Current year depreciation	(936,053)	
Total	6,640,668	6,640,668

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (217,317)

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

Property taxes	126,436	
Earnings on investments	577	
Intergovernmental	(905,252)	
Total	(778,239)	(778,239)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	460,000	
Energy conservation note	45,000	
Capital leases	68,027	
Total	573,027	573,027

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

(Increase) decrease in accrued interest payable	1,677	
Amortization of bond issuance costs	(20,577)	
Amortization of bond premiums	15,592	
Total	(3,308)	(3,308)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 116,376

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 723,990

Change in net assets of governmental activities \$ 1,860,997

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 3,471,000	\$ 3,886,262	\$ 3,886,262	\$ -
Income taxes.	4,091,000	4,247,500	4,247,500	-
Tuition.	1,280,000	1,241,911	1,241,911	-
Earnings on investments	30,000	24,960	26,155	1,195
Extracurricular.	16,000	18,032	18,032	-
Classroom materials and fees	51,000	44,339	44,656	317
Rental income	20,000	14,106	14,646	540
Other local revenues	22,000	25,563	25,695	132
Intergovernmental - state	9,290,600	9,079,820	9,079,820	-
Intergovernmental - federal	6,000	25,474	25,474	-
Total revenues	<u>18,277,600</u>	<u>18,607,967</u>	<u>18,610,151</u>	<u>2,184</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,515,181	7,515,181	7,131,355	383,826
Special.	1,464,026	1,464,026	1,674,510	(210,484)
Vocational.	387,147	387,147	376,982	10,165
Other.	294,538	294,538	292,948	1,590
Support services:				
Pupil.	927,269	927,269	923,551	3,718
Instructional staff	778,317	778,317	839,246	(60,929)
Board of education	40,072	40,072	43,593	(3,521)
Administration.	1,585,694	1,585,694	1,481,792	103,902
Fiscal	592,576	592,576	605,878	(13,302)
Operations and maintenance.	1,538,733	1,538,733	1,543,787	(5,054)
Pupil transportation	1,313,682	1,313,682	1,253,537	60,145
Central.	211,079	211,079	102,786	108,293
Extracurricular activities.	387,262	387,262	362,915	24,347
Total expenditures	<u>17,035,576</u>	<u>17,035,576</u>	<u>16,632,880</u>	<u>402,696</u>
Excess of revenues over expenditures.	<u>1,242,024</u>	<u>1,572,391</u>	<u>1,977,271</u>	<u>404,880</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	1,487	1,487	-
Refund of prior year's receipts.	(335,000)	(335,000)	(338,154)	(3,154)
Transfers (out).	(1,618,158)	(1,618,158)	(1,664,199)	(46,041)
Advances in.	50,000	50,000	50,000	-
Sale of capital assets	2,000	7,049	7,049	-
Total other financing sources (uses)	<u>(1,901,158)</u>	<u>(1,894,622)</u>	<u>(1,943,817)</u>	<u>(49,195)</u>
Net change in fund balance	(659,134)	(322,231)	33,454	355,685
Fund balance at beginning of year	4,072,151	4,072,151	4,072,151	-
Prior year encumbrances appropriated	209,857	209,857	209,857	-
Fund balance at end of year	<u>\$ 3,622,874</u>	<u>\$ 3,959,777</u>	<u>\$ 4,315,462</u>	<u>\$ 355,685</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash	
and cash equivalents	\$ 362,239
Cash with fiscal agent	<u>1,969,189</u>
Total assets.	<u><u>2,331,428</u></u>
Liabilities:	
Claims payable	<u>258,322</u>
Total liabilities	<u><u>258,322</u></u>
Net assets:	
Unrestricted.	<u>2,073,106</u>
Total net assets	<u><u>\$ 2,073,106</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Charges for services	\$ 2,423,736
Total operating revenues	<u>2,423,736</u>
Operating expenses:	
Purchased services.	140,694
Claims	<u>1,560,022</u>
Total operating expenses.	<u>1,700,716</u>
Operating income.	<u>723,020</u>
Nonoperating revenues:	
Interest revenue	<u>970</u>
Total nonoperating revenues.	<u>970</u>
Change in net assets.	723,990
Net assets at beginning of year (restated). .	<u>1,349,116</u>
Net assets at end of year.	<u><u>\$ 2,073,106</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from interfund services provided	\$ 2,423,736
Cash payments for goods and services.	(140,694)
Cash payments for claims	<u>(2,019,812)</u>
Net cash provided by operating activities.	<u>263,230</u>
Cash flows from investing activities:	
Interest received	<u>970</u>
Net cash provided by investing activities	<u>970</u>
Net increase in cash and cash equivalents.	264,200
Cash and cash equivalents at beginning of year (restated) .	<u>2,067,228</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,331,428</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 723,020
Changes in assets and liabilities:	
(Decrease) in claims payable	<u>(459,790)</u>
Net cash provided by operating activities.	<u><u>\$ 263,230</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 158,366
Total assets.	<u>\$ 158,366</u>
Liabilities:	
Accounts payable.	\$ 2,490
Due to students.	<u>155,876</u>
Total liabilities	<u>\$ 158,366</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Fairfield Union Local School District (the "District") is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District is a result of consolidation in the early 1960's of the Rushville, Bremen and Pleasantville School Districts. It is staffed by 89 non-certified employees and 130 certified full-time personnel who provide services to 2,054 students and other community members. The District is supervised by the Fairfield County Educational Service Center, a separate entity.

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council

MEC is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. MEC is established under the Ohio Revised Code Chapter 167 as a regional council of governments. The governing board of MEC consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the Governing Board. MEC is its own fiscal agent. MEC provides computer services to the District.

Financial information can be obtained from the offices of the Director, Metropolitan Educational Council, 2100 Citygate Drive, Columbus, Ohio.

Fairfield County Council for Educational Collaboration

In accordance with the provisions of Ohio Revised Code 167 and 124.81, certain boards of education and institutions of higher education, within Fairfield County, have determined to enter into an agreement to form a council of governments. This council of governments shall be known as the Fairfield County Council for Educational Collaboration.

The purpose of the Fairfield County Council for Educational Collaboration is to bring together the public school systems and public institutions for higher education in Fairfield County so they can collectively devise and provide for enhanced educational opportunities for the students and citizens of the community. The areas of interest that may be addressed by the Council include, but are not limited to, student programming, school management issues, and any other collaborative projects deemed appropriate by the governing body of the Council. The District appoints the superintendent to be its representative to the Board of Directors of this Council. The District has no ongoing financial interest or financial responsibility to the Fairfield County Council for Educational Collaboration.

INSURANCE PURCHASING POOLS

CompManagement Health Systems Worker's Compensation Group Rating Plan

The District participates in a Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool with the CompManagement Health Systems. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

South Central Ohio Insurance Consortium

The District is a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the superintendent, treasurer, or other designee appointed by each of the members of the SCOIC. Members include 12 school districts, the City of Lancaster and the Fairfield County Board of Developmental Disabilities. The Liberty Union-Thurston Local School District serves as fiscal agent for the SCOIC. To obtain financial information for the SCOIC, write to the fiscal agent, at 600 Washington Street, Baltimore, Ohio 43105.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of Presentation

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

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

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

C. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District fall within three categories: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Building fund - This fund is used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Classroom facilities fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, dental and vision benefits to employees.

FIDUCIARY FUNDS

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

D. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

E. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible 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 District, available means expected to be received within sixty days of fiscal year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at the fiscal year-end: property taxes available for advance, income taxes, grants and interest.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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

F. Cash and Investments

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

During the fiscal year 2011, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposit. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$26,050.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

An analysis of the District's investments at year-end is provided in Note 4.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

H. Capital Assets

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five-hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 30 years
Buildings and improvements	15 - 99 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years
Library books and textbooks	10 years

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans to account for negative cash balances are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 45 years of age with 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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 noncurrent portion of the liability is not reported.

K. Unamortized Issuance Costs and Bond Premium

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.A.

L. Accrued Liabilities and Long-Term Liabilities

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Capital leases, bonds and long-term notes are recognized as a liability on the fund financial statements when due.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Net Assets

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

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund.

P. Interfund Transactions

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2011, the District reported no extraordinary or special items.

R. Estimates

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

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The District Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund and function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Building Fund</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 4,123,180	\$ 5,270,662	\$ 11,209,769	\$ 4,089,333	\$ 24,692,944
Fund reclassifications:					
Public school support fund	47,658	-	-	(47,658)	-
Class play fund	<u>1,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,010</u>
Total fund reclassifications	<u>48,668</u>	<u>-</u>	<u>-</u>	<u>(47,658)</u>	<u>1,010</u>
Restated fund balance at July 1, 2010	<u>\$ 4,171,848</u>	<u>\$ 5,270,662</u>	<u>\$ 11,209,769</u>	<u>\$ 4,041,675</u>	<u>\$ 24,693,954</u>

The class play fund was previously reported as an internal service fund. Beginning net assets of the internal funds were restated by \$1,010 from \$1,350,126 to \$1,349,116.

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 26
Improving teacher quality	157

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the basic financial statements as "equity in pooled cash and cash equivalents". Statutes require the classification of monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 2% 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 items (1) and (2) above 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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 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.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash with Escrow Agent

At fiscal year end, the District had \$147,206 in depository accounts for retainage related to the District's Ohio School Facilities Commission building project. These depository accounts are held outside of the District's internal investment pool. The balance in these depository accounts are not included in the amount of "deposits" reported below.

B. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2011 was \$1,969,189. This amount is not included in the "deposits" or "investments" reported below.

C. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$11,752,935. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$10,469,560 of the District's bank balance of \$11,919,560 was exposed to custodial risk as discussed below, while \$1,450,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2011, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	Investment <u>Maturity</u> 6 months or less
STAR Ohio	<u>\$ 8,876,470</u>	<u>\$ 8,876,470</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 8,876,470	100.00
Total	<u>\$ 8,876,470</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,752,935
Investments	8,876,470
Cash with escrow agent	147,206
Cash with fiscal agent	<u>1,969,189</u>
Total	<u>\$ 22,745,800</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 22,587,434
Agency funds	<u>158,366</u>
Total	<u>\$ 22,745,800</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statement:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	<u>\$ 1,578,525</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

- B.** Interfund balances at June 30, 2011 consisted of the following amounts due from and to other funds, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 32,275</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were requested, but were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. The District met the exception requirements of Ohio Revised Code Section 3315.20, allowing a negative cash balance in these funds.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - SCHOOL INCOME TAXES

The District currently benefits from a 2.00% income tax, which is assessed on all residents of the District. The District apportions the proceeds to the general fund and earmarks a portion to be used for classroom facilities maintenance. During fiscal year 2011, the District received \$4,461,209 from the school income tax.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 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 alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 7 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$553,740 in the general fund, \$71,742 in the bond retirement fund (a nonmajor governmental fund) and \$30,803 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$403,418 in the general fund, \$54,391 in the bond retirement fund (a nonmajor governmental fund) and \$21,984 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 185,714,970	94.84	\$ 185,246,120	84.38
Public utility personal	9,866,070	5.04	34,161,190	15.56
Tangible personal property	<u>230,480</u>	<u>0.12</u>	<u>121,650</u>	<u>0.06</u>
Total	<u>\$ 195,811,520</u>	<u>100.00</u>	<u>\$ 219,528,960</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$47.10		\$47.10

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 5,334,998
Income taxes	1,547,784
Accounts	3,611
Intergovernmental	645,715
Accrued interest	<u>2,392</u>
Total	<u>\$ 7,534,500</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/11</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 356,747	\$ -	\$ -	\$ 356,747
Construction in progress	<u>50,109,569</u>	<u>7,233,324</u>	<u>(41,801,310)</u>	<u>15,541,583</u>
Total capital assets, not being depreciated	<u>50,466,316</u>	<u>7,233,324</u>	<u>(41,801,310)</u>	<u>15,898,330</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	797,151	17,179	-	814,330
Buildings and improvements	2,411,869	41,838,984	(246,157)	44,004,696
Furniture and equipment	4,566,664	96,320	(22,385)	4,640,599
Vehicles	1,497,505	192,224	-	1,689,729
Library books and textbooks	<u>688,686</u>	<u>-</u>	<u>(1,992)</u>	<u>686,694</u>
Total capital assets, being depreciated	<u>9,961,875</u>	<u>42,144,707</u>	<u>(270,534)</u>	<u>51,836,048</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(222,537)	(40,512)	-	(263,049)
Buildings and improvements	(629,042)	(447,887)	33,458	(1,043,471)
Furniture and equipment	(1,616,190)	(317,487)	18,741	(1,914,936)
Vehicles	(985,830)	(105,660)	-	(1,091,490)
Library books and textbooks	<u>(514,558)</u>	<u>(24,507)</u>	<u>1,018</u>	<u>(538,047)</u>
Total accumulated depreciation	<u>(3,968,157)</u>	<u>(936,053)</u>	<u>53,217</u>	<u>(4,850,993)</u>
Governmental activities capital assets, net	<u>\$ 56,460,034</u>	<u>\$ 48,441,978</u>	<u>\$ (42,018,627)</u>	<u>\$ 62,883,385</u>

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 635,815
Special	247
Vocational	12,566
<u>Support services:</u>	
Pupil	4,123
Instructional staff	67,520
Administration	6,925
Fiscal	8,865
Operations and maintenance	51,774
Pupil transportation	114,736
Operation of non-instructional services	1,033
Extracurricular activities	27,092
Food service operations	<u>5,357</u>
Total depreciation expense	<u>\$ 936,053</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior year, the District entered into capital leases for the acquisition of school buses and copiers. These leases met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability has been recorded as a long-term obligation. Principal payments in fiscal year 2011 totaled \$68,027.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 84,542
2013	83,415
2014	76,516
2015	46,516
2016	30,967
2017 - 2018	<u>34,375</u>
Total minimum lease payment	356,331
Less: amount representing interest	<u>(36,579)</u>
Present value of minimum lease payments	<u><u>\$ 319,752</u></u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 07/01/10</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/11</u>	<u>Amount Due in One Year</u>
<u>Governmental activities:</u>						
Energy conservation notes	4.85%	\$ 215,000	\$ -	\$ (45,000)	\$ 170,000	\$ 50,000
Bonds - building and improvements	4.10%	7,849,550	-	(60,000)	7,789,550	75,000
Refunding HS bond	4.20%	655,000	-	(60,000)	595,000	65,000
Series 2006A - buses	4.20%	205,000	-	(25,000)	180,000	25,000
Series 2006A - bonds	4.20%	7,935,000	-	(175,000)	7,760,000	205,000
Series 2007 - bonds	4.10%	9,654,998	-	(140,000)	9,514,998	150,000
Capital leases payable	N/A	387,779	-	(68,027)	319,752	70,945
Compensated absences	N/A	<u>1,239,711</u>	<u>68,892</u>	<u>(42,383)</u>	<u>1,266,220</u>	<u>211,353</u>
Total governmental activities		<u>\$ 28,142,038</u>	<u>\$ 68,892</u>	<u>\$ (615,410)</u>	27,595,520	<u>\$ 852,298</u>
Add: unamortized premium on bonds					<u>318,857</u>	
Total on statement of activities					<u><u>\$27,914,377</u></u>	

Energy Conservation Note - In December, 1997, Fairfield Union Local School District issued general obligation notes for H. B. 264 energy improvements. The notes were issued for \$1,047,892 at 4.4% interest and matured December 2006. The balance of this debt was refinanced in November, 1998 extending the payment schedule an additional five years. In June, 1999 the District issued additional general obligation notes for H. B. 264 energy improvements. The notes were issued for \$425,000 at 4.85% interest and mature December, 2013.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds - Buildings and Improvements - In April 2006, general obligation bonds at 4.10% interest were issued in the amount of \$7,989,550, as a result of the District being approved for school facilities funding through the State Department of Education for the renovation of the Junior-Senior High School Building and to begin the design process for three new buildings. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 3 mil levy in November 2005. Of the 3 mil levy, 2.5 mils is used for the retirement of the bonds that were issued and are in effect for thirty years. The remaining .5 mil is used for repairs and maintenance of the facility. As a part of this funding process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the thirty year period expires. If the District's adjusted valuation per pupil increased above the State-wide median adjusted valuation during the thirty year period, the District may become responsible for repayment of a portion of the State's contribution.

Refunding General Obligation Bonds - During fiscal year 2007, the District issued \$800,000 of general obligation bonds at 4.2% for the advance refunding of \$820,000 of the 1993 building bonds. The proceeds of the refunding were deposited in an irrevocable trust to provide for all future debt service payments. The payment to the escrow agent resulted in an insubstance defeasance of the Building Bonds. As a result, the liability for the Building Bonds was removed as a liability of the District.

General Obligation Bonds - Series 2006A - Buses - In December of 2006, the District issued \$280,000 in general obligation bus bonds for the purchase of school buses. These bonds have an interest of 4.20% and mature in 2021.

General Obligation Bonds - Series 2006A - Classroom Facilities - In December of 2006, The District issued \$8,215,000 in general obligation bonds for purpose of funding a portion of the basic project cost of a classroom facilities project in accordance with a Project Agreement with the Ohio School Facilities Commission. These bonds have an interest of 4.20% and mature in 2021.

General Obligation Bonds - Series 2007 - The general obligation bonds were issued in the amount of \$9,959,998 at 4.1% interest in January 2007 to repay the bond anticipation notes. The District issued the general obligation bonds to cover the District's share of the Ohio School Facilities Commission Project.

The District's notes and bonds are paid from the Bond Retirement Debt Service Fund. The capital leases are all paid from the General Fund. The compensated absences are paid from the fund from which the respective employees' salaries are paid.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The annual requirements to retire the energy conservation note and general obligation bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Energy Conservation Notes			Building and Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 50,000	\$ 7,032	\$ 57,032	\$ 75,000	\$ 368,185	\$ 443,185
2013	55,000	4,486	59,486	115,000	363,435	478,435
2014	65,000	1,576	66,576	48,802	436,758	485,560
2015	-	-	-	45,514	445,046	490,560
2016	-	-	-	50,234	470,326	520,560
2017 - 2021	-	-	-	1,105,000	1,676,675	2,781,675
2022 - 2026	-	-	-	1,740,000	1,336,101	3,076,101
2027 - 2031	-	-	-	2,565,000	859,037	3,424,037
2032 - 2034	-	-	-	2,045,000	166,032	2,211,032
Total	\$ 170,000	\$ 13,094	\$ 183,094	\$7,789,550	\$ 6,121,595	\$ 13,911,145

Fiscal Year Ending June 30	Refunding HS Bonds			Series 2006A Buses		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 65,000	\$ 22,500	\$ 87,500	\$ 25,000	\$ 7,500	\$ 32,500
2013	70,000	19,800	89,800	30,000	6,306	36,306
2014	70,000	17,000	87,000	30,000	4,919	34,919
2015	75,000	14,100	89,100	30,000	3,532	33,532
2016	80,000	11,000	91,000	30,000	2,163	32,163
2032 - 2019	235,000	14,300	249,300	35,000	744	35,744
Total	\$ 595,000	\$ 98,700	\$ 693,700	\$ 180,000	\$ 25,164	\$ 205,164

Fiscal Year Ending June 30	Series 2006A Bonds			Series 2007 Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 205,000	\$ 324,582	\$ 529,582	\$ 150,000	\$ 382,468	\$ 532,468
2013	225,000	315,278	540,278	170,000	376,175	546,175
2014	305,000	303,021	608,021	140,000	370,169	510,169
2015	315,000	288,684	603,684	175,000	364,066	539,066
2016	330,000	273,975	603,975	225,000	356,316	581,316
2017 - 2021	1,845,000	1,146,496	2,991,496	1,784,998	1,841,227	3,626,225
2022 - 2026	2,315,000	705,007	3,020,007	3,450,000	1,068,253	4,518,253
2027 - 2030	2,220,000	190,790	2,410,790	3,420,000	288,866	3,708,866
Total	\$ 7,760,000	\$ 3,547,833	\$ 11,307,833	\$9,514,998	\$ 5,047,540	\$ 14,562,538

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$(3,792,386) (including available funds of \$2,300,504) and an unvoted debt margin of \$219,407 and an unvoted energy conservation debt margin of \$1,804,666.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year 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 240 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days classified employees and 60 days for certified employees. In addition, certified employees who retire at thirty years of service and have the maximum accumulation will receive a retirement bonus of 75 days severance pay in lieu of the 60 days.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - RISK MANAGEMENT

The 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 2011, the District contracted with Ohio Casualty for professional and general liability insurance and Indiana Insurance for property and fleet insurance. Coverages provided are as follows:

<u>Type of Coverage</u>	<u>Liability Limit</u>
Building and Contents - replacement cost (\$1,000 deductible)	\$52,954,200
Musical Instruments (\$500 deductible)	100,000
Automobile Liability (\$500 deductible) Per Person	1,000,000
Uninsured Motorists Per Person	1,000,000
Per Accident	2,000,000
<i>General Liability:</i>	
Per Occurrence (\$1,000 deductible)	1,000,000
Aggregate Limit	3,000,000
<i>School Board Legal Liability:</i>	
Per Person (\$2,500 deductible)	1,000,000
Aggregate Limit	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2010.

For fiscal year 2011, the District participated in the CompManagement Health Systems Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - RISK MANAGEMENT - (Continued)

The District provides a health and dental insurance program for its employees. Premiums are paid directly to a third party administrator, South Central Ohio Insurance Consortium, out of the District's Self-Insurance Internal Service Fund. EV Benefits services all claims submitted by employees. The Internal Service Fund presented in the financial statements reflects the premiums paid by the same funds that pay the employees' salaries. The premiums paid into the Internal Service Fund are used for claims, claim reserves and administrative costs.

The claims liability of \$258,322 reported at June 30, 2011 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement (GASB) No. 10 "Accounting and Financial Reporting for Financing and Related Insurance Issues" as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

		Balance at Beginning <u>of Year</u>	Current <u>Year Claims</u>	<u>Claim Payments</u>	Balance at <u>End of Year</u>
2011	\$	718,112	\$ 1,560,022	\$ (2,019,812)	\$ 258,322
2010		280,275	2,345,041	(1,907,204)	718,112

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$281,342, \$316,682 and \$233,939, respectively; 54.31 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,014,797, \$1,062,601 and \$1,048,831, respectively; 83.62 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$5,323 made by the District and \$3,802 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$69,767, \$65,932 and \$132,586, respectively; 54.31 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$18,105, \$2,637 and \$2,496, respectively; 54.31 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$78,061, \$81,739 and \$80,679, respectively; 83.62 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 33,454
Net adjustment for revenue accruals	275,258
Net adjustment for expenditure accruals	(32,705)
Net adjustment for other sources/uses	372,341
Funds budgeted elsewhere	(451)
Adjustment for encumbrances	(174,167)
GAAP basis	\$ 473,730

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the class play fund and the public school support fund.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local 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 District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

A. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 18 - SET-ASIDES

The 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 fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 18 - SET-ASIDES - (Continued)

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	316,405	316,405
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(366,986)	(416,383)
Excess qualified expenditures from prior years	(360,810)	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	<u>-</u>	<u>-</u>
Total	<u>\$ (411,391)</u>	<u>\$ (99,978)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2011, the District had contractual commitments related to the construction of new facilities. The amount for each contractor is as follows:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
Gutridge Plumbing	\$ 72,890	\$ 71,890	\$ 1,000
Robertson Construction	9,109,531	9,085,949	23,582
SA Communale Co.	27,800	23,368	4,432
Four Seasons	35,500	22,325	13,175
Stan Engineers	119,417	94,112	25,305
Cincinnati Data	178,628	178,144	484
H&A Mechanical	3,672,634	3,642,754	29,880
Burgess & Niple, Inc.	3,814,108	3,760,639	53,469
Lawhorn & Associates	21,700	10,500	11,200
Bovis Lend Lease	3,684,819	3,627,643	57,176
Claggett & Sons	662,203	655,737	6,466
Southeast Security	1,366,763	1,270,509	96,254
Continental Office Equipment	509,129	359,005	150,124
Tom Sexton	338,663	261,558	77,105
XF Construction	229,007	203,017	25,990
Zimmerman School Equipment	606,808	436,216	170,592
Stat Comm	203,405	182,527	20,878
Gutridge Plumbing	612,273	571,257	41,016
H&A Mechanical	251,165	227,192	23,973
Beacon Electric	1,626,143	1,476,845	149,298
Best Restaurant	225,036	210,945	14,091
Claggett & Sons	4,462,435	3,660,437	801,998
Farnham Equipment	274,105	267,711	6,394
General Temperature	1,345,553	1,094,784	250,769
Inovative Energy	273,982	198,330	75,652
Pezzo Construction	1,847,653	1,828,480	19,173
Richardson Glass	283,610	275,137	8,473
SA Communale Co.	178,104	162,063	16,041
Total Contractual Commitments	<u>\$ 36,033,064</u>	<u>\$33,859,074</u>	<u>\$ 2,173,990</u>

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 20 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 154,553
Building	533,363
Classroom facilities	3,883,534
Other nonmajor governmental funds	<u>31,582</u>
 Total	 <u>\$ 4,603,032</u>

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Board of Education
Fairfield Union Local School District
Lancaster, Ohio 43130

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfield Union Local School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 17, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fairfield Union Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairfield Union Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that we must report under *Government Auditing Standard*.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 17, 2011

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Board of Education
Fairfield Union Local School District
Lancaster, Ohio 43130

Compliance

We have audited the compliance of Fairfield Union Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fairfield Union Local School District's major federal program for the year ended June 30, 2011. Fairfield Union Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Fairfield Union Local School District management. Our responsibility is to express an opinion on Fairfield Union Local School District's compliance based on our audit.

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

In our opinion, the Fairfield Union Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Fairfield Union Local School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs.. In planning and performing our audit, we considered Fairfield Union Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to tests and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Fairfield Union Local School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fairfield Union Local School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio

November 17, 2011

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies In internal control reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Special Education; CFDA #84.027,84.391 Title I: CFDA #84.010, 84.389 State Fiscal Stabilization; CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
Pass through Ohio Department of Education				
Nutrition Cluster				
National School Breakfast Program	n/a	10.553	102,387	-
National School Lunch Program	n/a	10.555	316,653	100,281
Total Nutrition Cluster			419,040	100,281
Total U.S. Department of Agriculture			419,040	100,281
<u>U.S. DEPARTMENT OF EDUCATION:</u>				
Pass through Ohio Department of Education				
Title I Cluster:				
Title I Educationally Deprived Children	046870C1S110	84.010	22,275	-
	046870C1S111		195,961	-
	046870C1SN10		11,024	-
			229,260	-
Title I Educationally Deprived Children ARRA	046870C1S111A	84.389	81,908	-
			81,908	-
Total Title I Cluster			311,168	-
Special Education Cluster:				
Title VI-B Special Education Assistance	046870BSF10	84.027	1,461	-
	046870BSF11		332,235	-
			333,696	-
Title VI-B ARRA	046870BSF10A	84.391	155,795	-
Title VI-B ARRA	046870BSF11A		29,795	-
			185,590	-
Total Special Education Cluster			519,286	-
Drug Free School Program	046870DRS10	84.186	786	-
			786	-
Improving Teacher Quality State Grant	046870TRS110	84.367	15,198	-
	046870TRS111		70,649	-
			85,847	-
State Fiscal Stabilization	046870SFS10	84.394	16,743	-
	046870SFS11		720,903	-
			737,646	-
Total U.S. Department of Education			1,654,733	-
Total Federal Awards Expenditures			2,073,773	100,281

See notes to Schedule of Federal Awards Expenditures.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTES B – CHILD NUTRITION CLUSTER

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

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

NOTE C – MATCHING REQUIREMENTS

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

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2011**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-01	Material misstatements were noted and corrected	Yes	Finding No Longer Valid

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON
PROCEDURES**

Board of Education
Fairfield Union Local School District
Lancaster, Ohio 43130

To The Board of Education

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.

Accordingly, we have performed the procedure enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Fairfield Union Local School District has adopted its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agree-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 26, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the attention and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 17, 2011

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Dave Yost • Auditor of State

FAIRFIELD UNION LOCAL SCHOOL DISTRICT

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
JANUARY 19, 2012**