

Fairfield Union Local School District
Fairfield County, Ohio

Basic Financial Statements

Fiscal Year Ended June 30, 2014

With Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Fairfield Union Local School District, Fairfield County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. 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

February 2, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 22, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities increased \$978,636 which represents a 1.67% increase from 2013.
- General revenues accounted for \$18,965,890 in revenue or 80.49% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$4,598,522 or 19.51% of total revenues of \$23,564,412.
- The District had \$22,585,776 in expenses related to governmental activities; only \$4,598,522 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 \$18,965,890 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$21,006,728 in revenues and other financing sources and \$19,697,040 in expenditures and other financing uses. During fiscal 2014, the general fund's fund balance increased \$1,309,688 from a fund balance of \$6,199,983 to \$7,509,671.
- The bond retirement fund had \$12,233,051 in revenues and other financing sources and \$11,534,104 in expenditures and other financing uses. The fund balance of the bond retirement fund increased \$698,947 from \$3,364,227 to \$4,063,174.

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 Position* 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 and the bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position 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 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, 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 position* and change in net position. This change in net position is important because it tells the reader that, for the District as a whole, if 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 Position 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 position 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 10. 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 and the bond retirement 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 Position 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, 2014
(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 assets and liabilities 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 25-54 of this report.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. A comparative analysis for government-wide financial statements using the full accrual basis of accounting is presented below.

	Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 30,229,104	\$ 29,201,453
Capital assets, net	<u>63,056,473</u>	<u>63,584,060</u>
Total assets	<u>93,285,577</u>	<u>92,785,513</u>
<u>Deferred outflows of resources</u>	<u>1,713,395</u>	<u>1,052,111</u>
<u>Liabilities</u>		
Current liabilities	2,712,603	2,677,297
Long-term liabilities	<u>27,664,915</u>	<u>27,719,012</u>
Total liabilities	<u>30,377,518</u>	<u>30,396,309</u>
<u>Deferred inflows of resources</u>	<u>4,977,240</u>	<u>4,775,737</u>
<u>Net Position</u>		
Net investment in capital assets	38,345,243	38,337,737
Restricted	11,534,901	9,743,821
Unrestricted	<u>9,764,070</u>	<u>10,584,020</u>
Total net position	<u>\$ 59,644,214</u>	<u>\$ 58,665,578</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

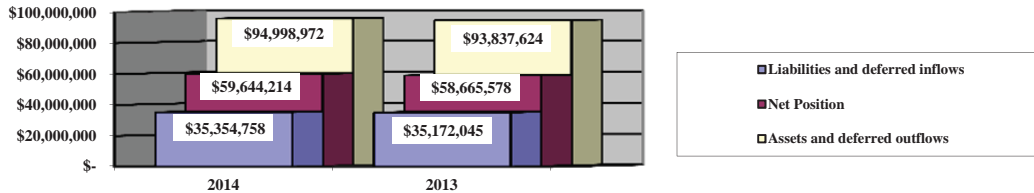
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets plus deferred outflows exceeded liabilities plus deferred inflows by \$59,644,214.

At year-end, capital assets represented 67.60% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, library and textbooks. Net investment in capital assets at June 30, 2014, was \$38,345,243. 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 position, \$11,534,901 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$9,764,070 may be used to meet the District's ongoing obligations to the students and creditors.

The table below illustrates the District's assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2014 and 2013:

Governmental Activities



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The table below shows the change in net position for fiscal year 2014 and 2013.

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,349,177	\$ 2,264,853
Operating grants and contributions	2,241,514	2,242,646
Capital grants and contributions	7,831	10,051
General revenues:		
Property taxes	5,118,794	5,330,910
Income taxes	4,502,872	4,517,560
Grants and entitlements	9,229,725	9,041,817
Investment earnings	21,073	19,483
Other	<u>93,426</u>	<u>62,930</u>
Total revenues	<u>23,564,412</u>	<u>23,490,250</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 8,629,296	\$ 10,146,124
Special	2,543,815	2,679,882
Vocational	474,757	478,177
Other	294,554	276,219
Support services:		
Pupil	904,251	1,044,907
Instructional staff	595,891	904,248
Board of education	35,460	38,432
Administration	1,341,002	1,433,390
Fiscal	598,810	603,761
Operations and maintenance	2,148,767	2,018,781
Pupil transportation	1,807,614	2,131,428
Central	132,883	148,372
Operation of non-instructional services:		
Other non-instructional services	2,000	2,221
Food service operations	1,050,419	1,071,493
Extracurricular activities	805,160	691,696
Interest and fiscal charges	<u>1,221,097</u>	<u>1,061,912</u>
Total expenses	<u>22,585,776</u>	<u>24,731,043</u>
Change in net position	978,636	(1,240,793)
Net position at beginning of year	<u>58,665,578</u>	<u>59,906,371</u>
Net position at end of year	<u><u>\$ 59,644,214</u></u>	<u><u>\$ 58,665,578</u></u>

Governmental Activities

Net position of the District's governmental activities increased \$978,636. Total governmental expenses of \$22,585,776 were offset by program revenues of \$4,598,522 and general revenues of \$18,965,890. Program revenues supported 20.36% of the total governmental expenses.

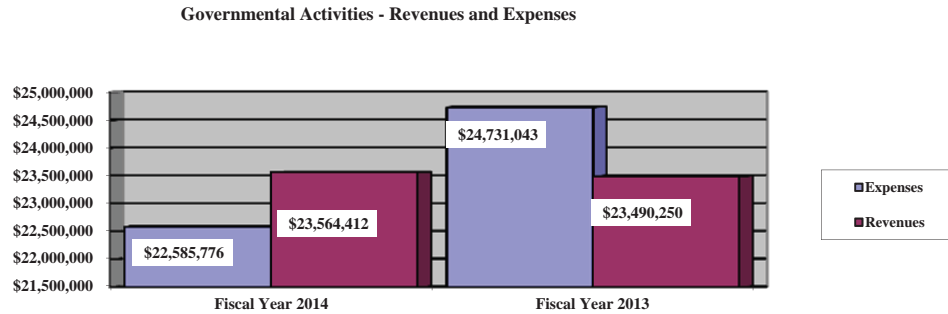
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 80.00% of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,942,422 or 52.88% of total governmental expenses for fiscal year 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2014 and 2013.



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>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses				
Instruction:				
Regular	\$ 8,629,296	\$ 6,864,075	\$ 10,146,124	\$ 8,503,547
Special	2,543,815	1,196,863	2,679,882	1,186,676
Vocational	474,757	327,746	478,177	382,020
Other	294,554	286,719	276,219	263,114
Support services:				
Pupil	904,251	904,251	1,044,907	1,044,907
Instructional staff	595,891	583,635	904,248	890,848
Board of education	35,460	35,460	38,432	38,432
Administration	1,341,002	1,341,002	1,433,390	1,433,390
Fiscal	598,810	598,810	603,761	603,761
Operations and maintenance	2,148,767	2,134,672	2,018,781	1,992,792
Pupil transportation	1,807,614	1,744,264	2,131,428	2,131,428
Central	132,883	125,683	148,372	141,172
Operation of non-instructional services:				
Other non-instructional services	2,000	1,014	2,221	(300)
Food service operations	1,050,419	75,721	1,071,493	141,402
Extracurricular activities	805,160	546,242	691,696	398,392
Interest and fiscal charges	<u>1,221,097</u>	<u>1,221,097</u>	<u>1,061,912</u>	<u>1,061,912</u>
Total expenses	<u>\$ 22,585,776</u>	<u>\$ 17,987,254</u>	<u>\$ 24,731,043</u>	<u>\$ 20,213,493</u>

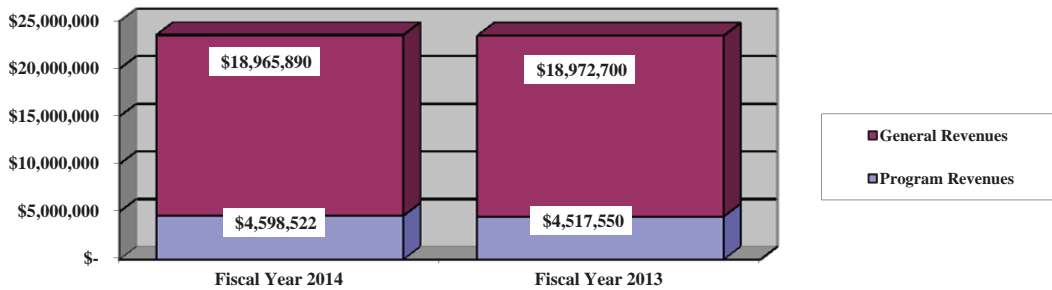
**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, as 72.64% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.64%. 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 2014 and 2013.

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 \$19,240,897, which is \$1,337,009 greater than last year's total of \$17,903,888. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase <u>(Decrease)</u>
General	\$ 7,509,671	\$ 6,199,983	\$ 1,309,688
Bond retirement	4,063,174	3,364,227	698,947
Other Governmental	<u>7,668,052</u>	<u>8,339,678</u>	<u>(671,626)</u>
Total	<u>\$ 19,240,897</u>	<u>\$ 17,903,888</u>	<u>\$ 1,337,009</u>

General Fund

The District's general fund's fund balance increased by \$1,309,688. 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, 2014
(UNAUDITED)**

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Property taxes	\$ 4,882,399	\$ 4,479,995	8.98 %
Income taxes	4,092,637	4,431,886	(7.65) %
Tuition	1,633,220	1,483,299	10.11 %
Earnings on investments	19,798	17,745	11.57 %
Intergovernmental	9,976,392	9,695,745	2.89 %
Other revenues	<u>207,170</u>	<u>188,228</u>	10.06 %
 Total	 <u>\$ 20,811,616</u>	 <u>\$ 20,296,898</u>	 2.54 %
<u>Expenditures</u>			
Instruction	\$ 10,524,233	\$ 10,575,891	(0.49) %
Support services	6,615,766	6,860,139	(3.56) %
Extracurricular activities	443,679	421,227	5.33 %
Capital outlay	162,977	-	100.00 %
Debt service	<u>117,786</u>	<u>84,206</u>	39.88 %
 Total	 <u>\$ 17,864,441</u>	 <u>\$ 17,941,463</u>	 (0.43) %

Property tax revenues increased 8.98%. This increase can be partially attributed to an increase in assessed valuations. Overall, expenditures remained stable, with a decrease of .43%. The increase in tuition revenue is due to an increase in open enrollment. The increase in capital outlay is related to the District's copier lease entered into during fiscal year 2014.

Bond Retirement Fund

The bond retirement fund had \$658,858 in revenues, \$1,786,022 in transfers from the general fund and \$1,895,873 in expenditures. The bond retirement fund also had \$9,788,171 in other financial sources for the sale of refunding bonds and the associated premium and \$9,638,231 in payment to bond escrow agent for the refunding transaction. The expenditures in the fund were used for principal and interest payments on bonds, bond issuance costs and fiscal fees related to property taxes. The fund balance of the bond retirement fund increased from \$3,364,227 to \$4,063,174.

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 2014, the District amended its general fund budget. For the general fund, original revenues and other financing sources were \$19,756,730. The final budgeted revenues and other financing sources were increased to \$20,973,449. Actual revenues and other financing sources for fiscal year 2014 was \$20,998,534. This represents a \$25,085 increase over final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

General fund original appropriations (appropriated expenditures and other financing uses) were \$20,583,553 and final appropriations were \$20,580,963. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$19,927,122.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$63,056,473 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, 2014 balances compared to June 30, 2013:

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

Governmental Activities

	<u>2014</u>	<u>2013</u>
Land	\$ 356,747	\$ 356,747
Construction in progress	38,728	336,873
Land improvements	437,543	478,679
Building and improvements	59,859,361	60,030,763
Furniture and equipment	1,512,212	1,535,536
Vehicles	810,691	791,094
Library and textbooks	<u>41,191</u>	<u>54,368</u>
 Total	 <u>\$ 63,056,473</u>	 <u>\$ 63,584,060</u>

Total additions to capital assets for 2014 were \$571,744. Disposals to capital assets for 2014 were \$75,041 (net of accumulated depreciation). Depreciation expense for fiscal year 2014 was \$1,024,290. Overall, capital assets of the District decreased \$527,587.

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

Debt Administration

At June 30, 2014, the District had \$24,951,085 in general obligation bonds and capital lease obligations outstanding. Of this total, \$857,155 is due within one year and \$24,093,930 is due in greater than one year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
General obligation bonds	\$ 24,696,962	\$ 24,768,754
Energy conservation note	-	65,000
Capital lease obligations	<u>254,123</u>	<u>190,546</u>
Total	<u>\$ 24,951,085</u>	<u>\$ 25,024,300</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, 41% is received through the State's foundation program, which along with other various grants and entitlements makes up just under 48% 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 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 82% of the District's real estate valuation.

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.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 20,439,860
Cash with escrow agent	2,881
Cash with fiscal agent	2,073,787
Receivables:	
Property taxes	5,426,787
Income taxes.	1,871,116
Accounts.	4,849
Accrued interest	2,699
Intergovernmental	231,020
Materials and supplies inventory.	176,105
Capital assets:	
Nondepreciable capital assets	395,475
Depreciable capital assets, net.	62,660,998
Capital assets, net	63,056,473
Total assets.	93,285,577
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,713,395
Total deferred outflows of resources	1,713,395
 Liabilities:	
Accounts payable.	121,692
Contracts payable.	36,481
Retainage payable	2,881
Accrued wages and benefits payable	1,762,568
Pension obligation payable.	321,111
Intergovernmental payable	113,831
Accrued interest payable	99,339
Claims payable.	254,700
Long-term liabilities:	
Due within one year.	1,101,911
Due in more than one year.	26,563,004
Total liabilities	30,377,518
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,977,240
Total deferred inflows of resources	4,977,240
 Net position:	
Net investment in capital assets	38,345,243
Restricted for:	
Capital projects	6,239,375
Classroom facilities maintenance	828,819
Debt service.	3,793,173
Locally funded programs	10,710
Federally funded programs	86,957
Student activities	151,359
Other purposes	424,508
Unrestricted.	9,764,070
Total net position.	\$ 59,644,214

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, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 8,629,296	\$ 1,681,780	\$ 75,610	\$ 7,831	\$ (6,864,075)
Special	2,543,815	-	1,346,952	-	(1,196,863)
Vocational	474,757	-	147,011	-	(327,746)
Other	294,554	-	7,835	-	(286,719)
Support services:					
Pupil.	904,251	-	-	-	(904,251)
Instructional staff	595,891	-	12,256	-	(583,635)
Board of education	35,460	-	-	-	(35,460)
Administration.	1,341,002	-	-	-	(1,341,002)
Fiscal.	598,810	-	-	-	(598,810)
Operations and maintenance	2,148,767	13,972	123	-	(2,134,672)
Pupil transportation.	1,807,614	-	63,350	-	(1,744,264)
Central	132,883	-	7,200	-	(125,683)
Operation of non-instructional services:					
Other non-instructional services	2,000	-	986	-	(1,014)
Food service operations	1,050,419	394,507	580,191	-	(75,721)
Extracurricular activities.	805,160	258,918	-	-	(546,242)
Interest and fiscal charges	1,221,097	-	-	-	(1,221,097)
Total governmental activities	\$ 22,585,776	\$ 2,349,177	\$ 2,241,514	\$ 7,831	(17,987,254)

General revenues:

Property taxes levied for:	
General purposes	4,354,010
Debt service.	520,626
Capital outlay.	244,158
Income taxes levied for:	
General purposes	4,502,872
Grants and entitlements not restricted to specific programs	
Investment earnings	9,229,725
Miscellaneous	21,073
	93,426
Total general revenues	18,965,890
Change in net position	978,636
Net position at beginning of year.	58,665,578
Net position at end of year.	\$ 59,644,214

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 7,748,391	\$ 4,023,283	\$ 7,881,259	\$ 19,652,933
Cash with escrow agent.	-	-	2,881	2,881
Receivables:				
Property taxes.	4,620,048	554,001	252,738	5,426,787
Income taxes	1,871,116	-	-	1,871,116
Accounts	4,849	-	-	4,849
Accrued interest	2,699	-	-	2,699
Intergovernmental.	95,282	-	135,738	231,020
Materials and supplies inventory.	165,485	-	10,620	176,105
Total assets	<u>\$ 14,507,870</u>	<u>\$ 4,577,284</u>	<u>\$ 8,283,236</u>	<u>\$ 27,368,390</u>
Liabilities:				
Accounts payable	\$ 89,757	\$ -	\$ 31,935	\$ 121,692
Contracts payable.	-	-	36,481	36,481
Retainage payable.	-	-	2,881	2,881
Accrued wages and benefits payable	1,619,736	-	142,832	1,762,568
Compensated absences payable	186,854	-	-	186,854
Intergovernmental payable	111,747	-	2,084	113,831
Pension obligation payable	289,441	-	31,670	321,111
Total liabilities.	<u>2,297,535</u>	<u>-</u>	<u>247,883</u>	<u>2,545,418</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	4,237,330	508,109	231,801	4,977,240
Delinquent property tax revenue not available.	50,048	6,001	2,738	58,787
Accrued interest not available.	822	-	-	822
Income tax revenue not available	324,561	-	-	324,561
Intergovernmental revenue not available.	87,903	-	132,762	220,665
Total deferred inflows of resources	<u>4,700,664</u>	<u>514,110</u>	<u>367,301</u>	<u>5,582,075</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	165,485	-	10,620	176,105
Restricted:				
Debt service	-	4,063,174	-	4,063,174
Capital improvements	-	-	6,236,637	6,236,637
Classroom facilities maintenance	-	-	829,305	829,305
Food service operations	-	-	457,777	457,777
Extracurricular.	-	-	151,359	151,359
Other purposes.	-	-	19,765	19,765
Assigned:				
Student instruction	45,174	-	-	45,174
Student and staff support.	234,068	-	-	234,068
Other purposes.	3,180	-	-	3,180
Unassigned (deficit)	7,061,764	-	(37,411)	7,024,353
Total fund balances	<u>7,509,671</u>	<u>4,063,174</u>	<u>7,668,052</u>	<u>19,240,897</u>
Total liabilities, deferred outflows and fund balances	<u>\$ 14,507,870</u>	<u>\$ 4,577,284</u>	<u>\$ 8,283,236</u>	<u>\$ 27,368,390</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 POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	19,240,897
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			63,056,473
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	383,348	
Accrued interest receivable		822	
Intergovernmental receivable		220,665	
Total		604,835	604,835
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 position.			2,606,014
Unamortized premiums on bonds issued are not recognized in the funds.			(1,613,722)
Unamortized amounts on refundings are not recognized in the funds.			1,713,395
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(99,339)
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		(24,696,962)	
Capital lease obligations		(254,123)	
Compensated absences		(913,254)	
Total		(25,864,339)	(25,864,339)
Net position of governmental activities		\$	59,644,214

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, 2014

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 4,882,399	\$ 582,190	\$ 275,892	\$ 5,740,481
Income taxes	4,092,637	-	85,674	4,178,311
Tuition	1,633,220	-	-	1,633,220
Earnings on investments	19,798	-	8,846	28,644
Charges for services	-	-	394,507	394,507
Extracurricular	51,212	-	207,706	258,918
Classroom materials and fees	48,560	-	-	48,560
Rental income	13,972	-	-	13,972
Contributions and donations	-	-	2,556	2,556
Other local revenues	93,426	-	-	93,426
Intergovernmental - intermediate	-	-	6,500	6,500
Intergovernmental - state	9,887,464	76,668	104,364	10,068,496
Intergovernmental - federal	88,928	-	1,374,646	1,463,574
Total revenues	<u>20,811,616</u>	<u>658,858</u>	<u>2,460,691</u>	<u>23,931,165</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,033,837	-	89,869	8,123,706
Special	1,755,699	-	744,652	2,500,351
Vocational	453,426	-	-	453,426
Other	281,271	-	9,295	290,566
Support services:				
Pupil	893,414	-	-	893,414
Instructional staff	546,017	-	9,663	555,680
Board of education	35,104	-	-	35,104
Administration	1,313,154	-	-	1,313,154
Fiscal	577,914	14,123	6,096	598,133
Operations and maintenance	1,626,071	-	53,511	1,679,582
Pupil transportation	1,499,414	-	207,389	1,706,803
Central	124,678	-	7,200	131,878
Operation of non-instructional services:				
Other non-instructional services	-	-	2,000	2,000
Food service operations	-	-	970,260	970,260
Extracurricular activities	443,679	-	241,911	685,590
Facilities acquisition and construction	-	-	837,048	837,048
Capital outlay	162,977	-	-	162,977
Debt service:				
Principal retirement	99,400	768,802	-	868,202
Interest and fiscal charges	18,386	963,009	-	981,395
Bond issuance costs	-	149,939	-	149,939
Total expenditures	<u>17,864,441</u>	<u>1,895,873</u>	<u>3,178,894</u>	<u>22,939,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,947,175</u>	<u>(1,237,015)</u>	<u>(718,203)</u>	<u>991,957</u>
Other financing sources (uses):				
Premium on refunding bonds	-	423,171	-	423,171
Sale of refunding bonds	-	9,365,000	-	9,365,000
Sale of assets	32,135	-	-	32,135
Transfers in	-	1,786,022	46,577	1,832,599
Transfers (out)	(1,832,599)	-	-	(1,832,599)
Capital lease transaction	162,977	-	-	162,977
Payment to refunded bond escrow agent	-	(9,638,231)	-	(9,638,231)
Total other financing sources (uses)	<u>(1,637,487)</u>	<u>1,935,962</u>	<u>46,577</u>	<u>345,052</u>
Net change in fund balances	1,309,688	698,947	(671,626)	1,337,009
Fund balances at beginning of year	6,199,983	3,364,227	8,339,678	17,903,888
Fund balances at end of year	<u>\$ 7,509,671</u>	<u>\$ 4,063,174</u>	<u>\$ 7,668,052</u>	<u>\$ 19,240,897</u>

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, 2014

Net change in fund balances - total governmental funds	\$	1,337,009
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 571,744	
Current year depreciation	(1,024,290)	
Total		(452,546)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(75,041)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(297,126)	
Earnings on investments	48	
Intergovernmental	(37,008)	
Total		(334,086)
Repayment of bond, notes and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		868,202
Issuance of bonds and leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(9,527,977)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	8,850,000	
Deferred charges on refundings	788,231	
Total		9,638,231
Premiums on bonds related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.		
		(423,171)
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:		
Decrease in accrued interest payable	10,958	
Accreted interest on capital appreciation bonds	(117,010)	
Amortization of bond premiums	75,276	
Amortization of deferred charges	(58,987)	
Total		(89,763)
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.		
		189,362
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.		
		(151,584)
Change in net position of governmental activities	\$	978,636

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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,214,230	\$ 4,683,717	\$ 4,683,717	\$ -
Income taxes.	4,404,110	4,476,147	4,476,147	-
Tuition.	1,459,000	1,633,221	1,633,221	-
Earnings on investments	16,000	18,262	19,576	1,314
Extracurricular.	17,000	19,305	19,310	5
Classroom materials and fees	47,000	48,319	48,559	240
Rental income	18,000	13,582	14,802	1,220
Other local revenues	35,000	54,837	70,545	15,708
Intergovernmental - state	9,514,390	9,876,111	9,882,124	6,013
Intergovernmental - federal	30,000	86,305	86,890	585
Total revenues	<u>19,754,730</u>	<u>20,909,806</u>	<u>20,934,891</u>	<u>25,085</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,394,964	8,389,844	8,114,431	275,413
Special.	2,219,854	2,219,854	1,800,012	419,842
Vocational.	430,738	430,738	449,166	(18,428)
Other.	241,860	241,860	272,850	(30,990)
Support services:				
Pupil.	1,002,305	1,002,555	955,677	46,878
Instructional staff	425,199	425,199	626,508	(201,309)
Board of education	32,374	32,374	34,912	(2,538)
Administration.	1,522,711	1,525,791	1,431,861	93,930
Fiscal	565,656	560,656	588,575	(27,919)
Operations and maintenance.	1,643,361	1,643,361	1,683,371	(40,010)
Pupil transportation	1,445,581	1,445,581	1,609,776	(164,195)
Central.	176,178	181,178	140,291	40,887
Extracurricular activities.	381,446	381,446	387,093	(5,647)
Total expenditures	<u>18,482,227</u>	<u>18,480,437</u>	<u>18,094,523</u>	<u>385,914</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,272,503</u>	<u>2,429,369</u>	<u>2,840,368</u>	<u>410,999</u>
Other financing sources (uses):				
Refund of prior year's expenditures	1,000	31,508	31,508	-
Refund of prior year's receipts.	(350,000)	(349,200)	-	349,200
Transfers (out).	(1,751,326)	(1,751,326)	(1,832,599)	(81,273)
Sale of capital assets	1,000	32,135	32,135	-
Total other financing sources (uses)	<u>(2,099,326)</u>	<u>(2,036,883)</u>	<u>(1,768,956)</u>	<u>267,927</u>
Net change in fund balance	(826,823)	392,486	1,071,412	678,926
Fund balance at beginning of year	5,885,363	5,885,363	5,885,363	-
Prior year encumbrances appropriated	424,855	424,855	424,855	-
Fund balance at end of year	<u>\$ 5,483,395</u>	<u>\$ 6,702,704</u>	<u>\$ 7,381,630</u>	<u>\$ 678,926</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	<u>Governmental Activities - Internal Service Funds</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 786,927
Cash with fiscal agent	<u>2,073,787</u>
Total assets.	<u>2,860,714</u>
Liabilities:	
Claims payable	<u>254,700</u>
Total liabilities	<u>254,700</u>
Net position:	
Unrestricted.	<u>2,606,014</u>
Total net position.	<u><u>\$ 2,606,014</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 POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 2,321,229
Total operating revenues	<u>2,321,229</u>
Operating expenses:	
Purchased services	178,351
Claims	<u>2,295,689</u>
Total operating expenses	<u>2,474,040</u>
Operating loss	<u>(152,811)</u>
Nonoperating revenues:	
Interest revenue	<u>1,227</u>
Total nonoperating revenues	<u>1,227</u>
Change in net position	(151,584)
Net position at beginning of year	<u>2,757,598</u>
Net position at end of year	<u>\$ 2,606,014</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from interfund services provided.	\$ 2,321,229
Cash payments for goods and services.	(178,351)
Cash payments for claims	<u>(2,209,089)</u>
Net cash used in operating activities	<u>(66,211)</u>
Cash flows from investing activities:	
Interest received	1,227
Net cash provided by investing activities	<u>1,227</u>
Net decrease in cash and cash equivalents.	(64,984)
Cash and cash equivalents at beginning of year	<u>2,925,698</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,860,714</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (152,811)
Changes in assets and liabilities:	
Increase in claims payable	<u>86,600</u>
Net cash used in operating activities.	<u><u>\$ (66,211)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2014

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 165,023
Total assets.	\$ 165,023
Liabilities:	
Accounts payable.	\$ 9,348
Due to students.	154,353
Due to others.	1,322
Total liabilities	\$ 165,023

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, 2014**

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 121 certified personnel who provide services to 1,969 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 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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014**

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 position 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 position 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 position 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 deferred outflows of resources and liabilities and deferred inflows of resources 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
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Bond retirement fund - The bond retirement fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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 position and changes in net position. 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 deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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 inflows, 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 income taxes is recognized in the period in which the income is earned (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the 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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows 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 inflows of resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used 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 2014, 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, 2014.

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 2014 amounted to \$19,798.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 position, 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 increased the capitalization threshold to \$5,000 during fiscal year 2014. 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. 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.

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, 2014, 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, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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.

J. Unamortized Bond Premium and Deferred Charges

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, bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

For bond refunds resulting in defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

K. 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.

L. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 amount restricted for other purposes includes amounts restricted for food service.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

M. 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

N. 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.

O. 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.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2014, the District reported no extraordinary or special items.

Q. Estimates

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

R. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated 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 2014.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 27,651
Improving Teacher Quality	9,760

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash with Escrow Agent

At fiscal year end, the District had \$2,881 in depository accounts for retainage related to the District’s Ohio Facilities Construction Commission building project. These depository accounts are held outside of the District’s internal investment pool. The balances 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, 2014 was \$2,073,787. This amount is not included in the “deposits” or “investments” reported below.

C. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$17,751,181. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$16,342,316 of the District’s bank balance of \$17,792,316 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, 2014, 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	\$ 2,853,702	\$ 2,853,702

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, 2014

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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 2,853,702	100.00

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

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 17,751,181
Investments	2,853,702
Cash with escrow agent	2,881
Cash with fiscal agent	<u>2,073,787</u>
Total	<u>\$ 22,681,551</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 22,516,528
Agency funds	<u>165,023</u>
Total	<u>\$ 22,681,551</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statement:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Bond Retirement	\$ 1,786,022
Nonmajor Governmental Funds	<u>46,577</u>
Total	<u>\$ 1,832,599</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, 2014**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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 2014, the District received \$4,502,872 from the school income tax on the government-wide financial statements.

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 and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$332,670 in the general fund, \$39,891 in the bond retirement fund and \$18,199 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$133,989 in the general fund, \$17,973 in the bond retirement fund and \$7,301 in the permanent improvement 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, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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 reported as a deferred inflow.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 7 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 188,099,220	87.39	\$ 212,272,850	88.84
Public utility personal	<u>24,146,900</u>	<u>12.61</u>	<u>26,662,430</u>	<u>11.16</u>
Total	<u>\$ 212,246,120</u>	<u>100.00</u>	<u>\$ 238,935,280</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$47.10		\$45.40

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014 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 position follows:

Governmental activities:

Property taxes	\$ 5,426,787
Income taxes	1,871,116
Accounts	4,849
Intergovernmental	231,020
Accrued interest	<u>2,699</u>
Total	<u>\$ 7,536,471</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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 356,747	\$ -	\$ -	\$ 356,747
Construction in progress	<u>336,873</u>	<u>38,728</u>	<u>(336,873)</u>	<u>38,728</u>
Total capital assets, not being depreciated	<u>693,620</u>	<u>38,728</u>	<u>(336,873)</u>	<u>395,475</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	822,717	-	-	822,717
Buildings and improvements	61,943,126	457,532	-	62,400,658
Furniture and equipment	2,319,367	252,739	(177,448)	2,394,658
Vehicles	1,787,276	159,618	(111,738)	1,835,156
Library books and textbooks	<u>494,837</u>	<u>-</u>	<u>-</u>	<u>494,837</u>
Total capital assets, being depreciated	<u>67,367,323</u>	<u>869,889</u>	<u>(289,186)</u>	<u>67,948,026</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(344,038)	(41,136)	-	(385,174)
Buildings and improvements	(1,912,363)	(628,934)	-	(2,541,297)
Furniture and equipment	(783,831)	(201,022)	102,407	(882,446)
Vehicles	(996,182)	(140,021)	111,738	(1,024,465)
Library books and textbooks	<u>(440,469)</u>	<u>(13,177)</u>	<u>-</u>	<u>(453,646)</u>
Total accumulated depreciation	<u>(4,476,883)</u>	<u>(1,024,290)</u>	<u>214,145</u>	<u>(5,287,028)</u>
Governmental activities capital assets, net	<u>\$ 63,584,060</u>	<u>\$ (115,673)</u>	<u>\$ (411,914)</u>	<u>\$ 63,056,473</u>

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 537,852
Special	28,468
Vocational	14,543
<u>Support services:</u>	
Pupil	20,864
Instructional staff	42,792
Board of Education	339
Administration	26,132
Fiscal	2,081
Operations and maintenance	39,286
Pupil transportation	131,234
Extracurricular activities	118,893
Food service operations	<u>61,806</u>
Total depreciation expense	<u>\$ 1,024,290</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior year and in the current year, the District entered into capital leases for the acquisition of school buses and copiers. 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 2014 totaled \$99,400.

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, 2014:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 91,156
2016	75,607
2017	61,664
2018	57,791
2019	<u>3,370</u>
Total minimum lease payment	289,588
Less: amount representing interest	<u>(35,465)</u>
Present value of minimum lease payments	<u>\$ 254,123</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Interest	Balance			Balance	Amount
	Rate	07/01/13	Increase	Decrease	06/30/14	Due in One Year
<u>Governmental activities:</u>						
Energy conservation notes	4.85%	\$ 65,000	\$ -	\$ (65,000)	\$ -	\$ -
Bonds - building and improvements	4.10%	144,550	-	(48,802)	95,748	45,514
Refunding HS bond	4.20%	460,000	-	(70,000)	390,000	75,000
Series 2006A - buses	4.20%	125,000	-	(30,000)	95,000	30,000
Series 2006A - bonds	4.20%	7,330,000	-	(3,940,000)	3,390,000	315,000
Series 2007 - bonds	4.10%	9,194,998	-	(5,355,000)	3,839,998	175,000
Series 2012 refunding bonds	2.50%	7,514,206	117,010	(110,000)	7,521,216	115,000
Series 2014 refunding bonds	1.0 - 3.0%	-	9,365,000	-	9,365,000	25,000
Capital leases payable	N/A	190,546	162,977	(99,400)	254,123	76,641
Compensated absences	N/A	<u>1,360,925</u>	<u>57,902</u>	<u>(318,719)</u>	<u>1,100,108</u>	<u>244,756</u>
Total governmental activities		<u>\$ 26,385,225</u>	<u>\$ 9,702,889</u>	<u>\$ (10,036,921)</u>	26,051,193	<u>\$ 1,101,911</u>
Add: unamortized premium on bonds					<u>1,613,722</u>	
Total on statement of activities					<u>\$ 27,664,915</u>	

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.

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 matured in December 2013.

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. In fiscal year 2013, the District refunded \$7,455,000 of these bonds.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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 2029. During fiscal year 2014, the District refunded \$3,635,000 of the bonds.

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. During fiscal year 2014, the District refunded \$5,215,000 of these bonds.

Series 2012 Refunding Bonds: On October 2, 2012, the District issued general obligation bonds (Series 2012 Refunding Bonds) to advance refund \$7,455,000 of the Series 2006 general obligation bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$7,215,000, and capital appreciation bonds, par value \$239, 553. The interest rates on the current interest bonds range from 2.0% to 3.0%. The capital appreciation bonds mature annually on December 1, 2015 through December 1, 2019 (interest rate 36.30%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,350,000. Total accreted interest of \$176,663 has been included on the statement of net position. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2033.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2014 for the Series 2012 refunding bonds:

	<u>Balance</u> <u>07/01/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/14</u>
Current interest bonds -				
Series 2012 refunding bonds	\$ 7,215,000	\$ -	\$ (110,000)	\$ 7,105,000
Capital appreciation bonds -				
Series 2012 refunding bonds	239,553	-	-	239,553
Capital appreciation bonds -				
Accreted interest	<u>59,653</u>	<u>117,010</u>	<u>-</u>	<u>176,663</u>
Total G.O. bonds	<u>\$ 7,514,206</u>	<u>\$ 117,010</u>	<u>\$ (110,000)</u>	<u>\$ 7,521,216</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$1,065,657. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Series 2014 Refunding Bonds: On June 10, 2014, the District issued general obligation bonds (Series 2014 Refunding Bonds) to advance refund \$3,635,000 of the series 2006A general obligation bonds and \$5,215,000 of the series 2007 general obligation bonds.

The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of current interest bonds, par value \$9,365,000. The interest rates on the current interest bonds range from 1.0% to 3.0%. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2026.

The reacquisition price exceeded the net carrying amount of the old debt by \$788,231. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 13 years by \$464,961 and resulted in a net present value economic gain of \$409,541.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The annual requirements to retire the general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30	Series 2012 - Current Interest Bonds			Series 2012 - Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 115,000	\$ 187,875	\$ 302,875	\$ -	\$ -	\$ -
2016	-	186,724	186,724	40,549	74,451	115,000
2017	-	186,724	186,724	73,251	216,749	290,000
2018	-	186,724	186,724	54,282	245,718	300,000
2019	-	186,724	186,724	40,831	274,169	315,000
2020 - 2024	1,485,000	872,162	2,357,162	30,640	299,360	330,000
2025 - 2029	2,385,000	618,653	3,003,653	-	-	-
2030 - 2034	3,120,000	243,050	3,363,050	-	-	-
Total	<u>\$ 7,105,000</u>	<u>\$ 2,668,636</u>	<u>\$ 9,773,636</u>	<u>\$ 239,553</u>	<u>\$ 1,110,447</u>	<u>\$ 1,350,000</u>

Fiscal Year Ending June 30	Building and Improvement Bonds		
	Principal	Interest	Total
2015	\$ 45,514	\$ 445,046	\$ 490,560
2016	50,234	470,326	520,560
Total	<u>\$ 95,748</u>	<u>\$ 915,372</u>	<u>\$ 1,011,120</u>

Fiscal Year Ending June 30	Refunding HS Bonds			Series 2006A Buses		
	Principal	Interest	Total	Principal	Interest	Total
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
2017	75,000	7,900	82,900	35,000	744	35,744
2018	80,000	4,800	84,800	-	-	-
2019	80,000	1,600	81,600	-	-	-
Total	<u>\$ 390,000</u>	<u>\$ 39,400</u>	<u>\$ 429,400</u>	<u>\$ 95,000</u>	<u>\$ 6,439</u>	<u>\$ 101,439</u>

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30	Series 2014 Refunding Bonds		
	Principal	Interest	Total
2015	\$ 25,000	\$ 246,258	\$ 271,258
2016	70,000	251,925	321,925
2017	75,000	250,837	325,837
2018	80,000	249,675	329,675
2019	80,000	248,475	328,475
2020 - 2024	5,205,000	971,413	6,176,413
2025 - 2027	<u>3,830,000</u>	<u>173,700</u>	<u>4,003,700</u>
Total	<u>\$ 9,365,000</u>	<u>\$ 2,392,283</u>	<u>\$11,757,283</u>

Fiscal Year Ending June 30	Series 2006A Bonds			Series 2007 Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 315,000	\$ 137,947	\$ 452,947	\$ 175,000	\$ 151,641	\$ 326,641
2016	330,000	123,237	453,237	225,000	143,891	368,891
2017	310,000	109,225	419,225	79,998	354,534	434,532
2018	360,000	94,988	454,988	345,000	132,200	477,200
2019	375,000	79,369	454,369	400,000	116,368	516,368
2020 - 2024	-	357,000	357,000	-	539,345	539,345
2025 - 2029	1,110,000	310,800	1,420,800	1,705,000	469,732	2,174,732
2030	<u>590,000</u>	<u>12,390</u>	<u>602,390</u>	<u>910,000</u>	<u>18,769</u>	<u>928,769</u>
Total	<u>\$ 3,390,000</u>	<u>\$ 1,224,956</u>	<u>\$ 4,614,956</u>	<u>\$3,839,998</u>	<u>\$ 1,926,480</u>	<u>\$ 5,766,478</u>

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, 2014, are a voted debt margin of \$(1,047,050) (including available funds of \$4,063,174) and an unvoted debt margin of \$238,935 and an unvoted energy conservation debt margin of \$2,150,418.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 for classified employees and 60 days for certified employees. In addition, certified employees who retire at 30 years of service or over and have the maximum accumulation will receive a retirement bonus of 75 days severance pay in lieu of the 60 days.

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 2014, 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 (\$2,500 deductible)	\$61,255,498
Musical Instruments (\$500 deductible)	100,000
Automobile Liability Per Occurrence	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 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - RISK MANAGEMENT - (Continued)

For fiscal year 2014, 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.

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 \$254,700 reported at June 30, 2014 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>
2014	\$ 168,100	\$ 2,295,689	\$ (2,209,089)	\$ 254,700
2013	196,415	2,383,956	(2,412,271)	168,100

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 "*Employers/Audit Resources*".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - PENSION PLANS - (Continued)

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 2014, 13.05 percent and 0.05 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 14 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, 2014, 2013 and 2012 were \$336,021, \$327,106 and \$307,733, respectively; 93.00 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 2014, plan members were required to contribute 11 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,036,637, \$991,066 and \$955,875, respectively; 82.93 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$3,923 made by the District and \$3,083 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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 Section 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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 "Employers/Audit Resources".

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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, 2014, 2013 and 2012 were \$44,270, \$37,797 and \$47,484, respectively; 93.00 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$19,494, \$18,478 and \$18,173, respectively; 93.00 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 2014, 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, 2014, 2013 and 2012 were \$79,741, \$76,236 and \$73,529, respectively; 82.93 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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	\$ 1,071,412
Net adjustment for revenue accruals	(173,642)
Net adjustment for expenditure accruals	(33,596)
Net adjustment for other sources/uses	131,469
Funds budgeted elsewhere	(2,672)
Adjustment for encumbrances	316,717
GAAP basis	<u>\$ 1,309,688</u>

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.

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	341,858
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(387,622)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	\$ (45,764)
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

NOTE 19 - 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	\$ 232,378
Other nonmajor governmental funds	<u>284,754</u>
Total	\$ <u>517,132</u>

Fairfield Union Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Year</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	10.555	2014	\$ 122,253	121,676
<i>Cash Assistance:</i>				
School Breakfast Program	10.553	2014	124,010	124,010
National School Lunch Program	10.555	2014	<u>330,339</u>	<u>330,339</u>
<i>Cash Assistance Subtotal</i>			<u>454,349</u>	<u>454,349</u>
Nutrition Cluster Total			<u>576,602</u>	<u>576,025</u>
Team Nutrition Grants	10.574	2014	<u>1,962</u>	<u>1,962</u>
Total U.S. Department of Agriculture			<u>578,564</u>	<u>577,987</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	84.010	2013	29,810	50,847
		2014	<u>388,102</u>	<u>360,146</u>
			<u>417,912</u>	<u>410,993</u>
Special Education - Grants to States	84.027	2014	335,965	335,965
Improving Teacher Quality State Grants	84.367	2013	8,756	14,683
		2014	<u>75,714</u>	<u>69,767</u>
			<u>84,470</u>	<u>84,450</u>
ARRA - Race to the Top Incentive Grants	84.395	2014	<u>2,450</u>	<u>2,450</u>
Total U.S. Department of Education			<u>840,797</u>	<u>833,858</u>
Total Federal Awards			\$ <u>1,419,361</u>	<u>1,411,845</u>

See notes to the Schedule of Expenditures of Federal Awards.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the Fairfield Union Local School District. The schedule has been prepared on the cash basis of accounting.

NOTE 2 – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported on the schedule of expenditures of federal awards at the market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE 3 – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

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.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Fairfield Union Local School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 22, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Fairfield Union Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2014.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of the District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 22, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 30, 2015

**Fairfield Union Local School District
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2014**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
CFDA 84.010 – Title I Grants to Local Educational Agencies	
CFDA 84.027 – Special Education—Grants to States	
CFDA 84.367 – Improving Teacher Quality State Grants	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

None noted.

Section IV – Summary of Prior Audit Findings and Questioned Costs

None reported in prior audit



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.

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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
FEBRUARY 12, 2015**