



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Fairfield Local School District  
Highland County  
200 South Street  
Leesburg, Ohio 45135

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Fairfield Local School District, Highland County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairfield Local School District, Highland County, Ohio as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

January 4, 2000



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**Fairfield Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$729,224	\$76,612	\$373,662	\$3,298,084
Cash and Cash Equivalents With Fiscal Agents	0	0	562	0
Receivables:				
Taxes	848,928	19,721	221,641	0
Intergovernmental	1,850	1,512	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	16,544	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	48,602	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$1,645,148</u>	<u>\$97,845</u>	<u>\$595,865</u>	<u>\$3,298,084</u>
<b><u>Liabilities:</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$14,998	\$2,638	\$0	\$678
Contracts Payable	0	0	0	102,077
Accrued Wages and Benefits	289,961	12,947	0	0
Compensated Absences Payable	24,905	0	0	0
Intergovernmental Payable	66,334	1,901	0	0
Deferred Revenue	797,055	18,426	206,484	0
Undistributed Monies	0	0	0	0
Matured Interest Payable	0	0	562	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>1,193,253</u>	<u>35,912</u>	<u>207,046</u>	<u>102,755</u>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	139,232	40,128	0	731,094
Reserved for Inventory	16,544	0	0	0
Reserved for Budget Stabilization	45,939	0	0	0
Reserved for Property Taxes	51,873	1,295	15,157	0
Reserved for School Bus Purchases	2,663	0	0	0
Unreserved:				
Undesignated	195,644	20,510	373,662	2,464,235
Total Fund Equity and Other Credits	<u>451,895</u>	<u>61,933</u>	<u>388,819</u>	<u>3,195,329</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,645,148</u>	<u>\$97,845</u>	<u>\$595,865</u>	<u>\$3,298,084</u>

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$42,393	\$0	\$0	\$4,601,826
0	0	0	562
0	0	0	1,090,290
0	0	0	9,281
0	0	0	4,480
0	0	0	16,928
0	0	0	48,602
0	1,155,118	0	1,162,576
0	0	388,819	388,819
0	0	2,725,777	2,725,777
<u>\$42,393</u>	<u>\$1,155,118</u>	<u>\$3,114,596</u>	<u>\$10,049,141</u>
\$0	\$0	\$0	\$18,314
0	0	0	102,077
0	0	0	310,223
0	0	91,959	117,254
0	0	33,637	111,299
0	0	0	1,024,481
27,747	0	0	27,747
0	0	0	562
0	0	2,989,000	2,989,000
<u>27,747</u>	<u>0</u>	<u>3,114,596</u>	<u>4,700,957</u>
0	1,155,118	0	1,155,118
0	0	0	80,444
525	0	0	910,979
0	0	0	16,544
0	0	0	45,939
0	0	0	68,325
0	0	0	2,663
<u>14,121</u>	<u>0</u>	<u>0</u>	<u>3,068,172</u>
<u>14,646</u>	<u>1,155,118</u>	<u>0</u>	<u>5,348,184</u>
<u>\$42,393</u>	<u>\$1,155,118</u>	<u>\$3,114,596</u>	<u>\$10,049,141</u>

**Fairfield Local School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b><u>Revenues:</u></b>					
Property Taxes	\$902,377	\$10,403	\$155,607	\$0	\$1,068,387
Intergovernmental	2,758,850	198,829	10,420	713,092	3,681,191
Interest	60,705	0	0	25,684	86,389
Tuition and Fees	34,493	4,868	0	0	39,361
Rent	1,958	0	0	0	1,958
Extracurricular Activities	0	32,037	0	0	32,037
Gifts and Donations	3,167	14,972	0	0	18,139
Miscellaneous	42,379	14,667	9,376	0	66,422
<b>Total Revenues</b>	<b>3,803,929</b>	<b>275,776</b>	<b>175,403</b>	<b>738,776</b>	<b>4,993,884</b>
<b><u>Expenditures:</u></b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	1,775,179	32,283	0	0	1,807,462
Special	214,324	54,165	0	0	268,489
Vocational	103,996	1,216	0	0	105,212
<b>Support Services:</b>					
Pupils	148,566	1,119	0	0	149,685
Instructional Staff	244,532	88,875	0	0	333,407
Board of Education	40,931	0	0	0	40,931
Administration	426,792	0	0	0	426,792
Fiscal	193,347	294	4,644	0	198,285
Business	4,217	17,748	0	0	21,965
Operation and Maintenance of Plant	347,795	0	0	0	347,795
Pupil Transportation	247,436	468	0	0	247,904
Central	19,270	5,000	0	0	24,270
Non-Instructional Services	970	0	0	0	970
Extracurricular Activities	36,878	47,215	0	0	84,093
Capital Outlay	13,042	0	0	348,653	361,695
<b>Debt Service:</b>					
Principal Retirement	0	0	50,000	0	50,000
Interest and Fiscal Charges	0	0	32,624	0	32,624
<b>Total Expenditures</b>	<b>3,817,275</b>	<b>248,383</b>	<b>87,268</b>	<b>348,653</b>	<b>4,501,579</b>
Excess of Revenues Over (Under) Expenditures	(13,346)	27,393	88,135	390,123	492,305
<b><u>Other Financing Sources:</u></b>					
Proceeds from Sale of Bonds	0	0	0	2,724,000	2,724,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(13,346)	27,393	88,135	3,114,123	3,216,305
Fund Balances at Beginning of Year	463,849	34,540	300,684	81,206	880,279
Increase in Reserve for Inventory	1,392	0	0	0	1,392
<b>Fund Balances at End of Year</b>	<b>\$451,895</b>	<b>\$61,933</b>	<b>\$388,819</b>	<b>\$3,195,329</b>	<b>\$4,097,976</b>

See accompanying notes to the general purpose financial statements

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*Fairfield Local School District  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 1999*

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$864,078	\$864,078	\$0	\$9,108	\$9,108	\$0
Intergovernmental	2,755,553	2,755,553	0	196,756	195,244	(1,512)
Interest	60,000	60,705	705	0	0	0
Tuition and Fees	34,443	34,493	50	4,868	4,868	0
Rent	1,958	1,958	0	0	0	0
Extracurricular Activities	0	0	0	31,987	32,037	50
Gifts and Donations	3,167	3,167	0	14,972	14,972	0
Miscellaneous	45,843	45,827	(16)	14,597	14,667	70
<b>Total Revenues</b>	<b>3,765,042</b>	<b>3,765,781</b>	<b>739</b>	<b>272,288</b>	<b>270,896</b>	<b>(1,392)</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	1,806,739	1,799,364	7,375	33,914	33,914	0
Special	218,078	218,078	0	62,343	62,343	0
Vocational	104,307	104,141	166	2,160	2,160	0
Support Services:						
Pupils	167,019	166,259	760	7,416	5,155	2,261
Instructional Staff	239,894	239,522	372	115,871	115,871	0
Board of Education	32,654	32,654	0	0	0	0
Administration	429,360	419,232	10,128	0	0	0
Fiscal	197,120	195,955	1,165	294	294	0
Business	4,217	4,217	0	18,091	18,091	0
Operation and Maintenance of Plant	424,185	408,029	16,156	0	0	0
Pupil Transportation	273,607	264,667	8,940	824	824	0
Central	19,930	19,331	599	5,000	5,000	0
Non-Instructional Services	970	970	0	0	0	0
Extracurricular Activities	36,878	36,878	0	47,512	47,092	420
Capital Outlay	50,436	50,436	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>4,005,394</b>	<b>3,959,733</b>	<b>45,661</b>	<b>293,425</b>	<b>290,744</b>	<b>2,681</b>
Excess of Revenues Over (Under) Expenditures	(240,352)	(193,952)	46,400	(21,137)	(19,848)	1,289
<b><u>Other Financing Sources:</u></b>						
Proceeds from Sale of Bonds	0	0	0	0	0	0
Refund of Prior Year Expenditures	61	61	0	0	0	0
Other Financing Sources	1,447	1,447	0	3,153	3,153	0
<b>Total Other Financing Sources</b>	<b>1,508</b>	<b>1,508</b>	<b>0</b>	<b>3,153</b>	<b>3,153</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(238,844)	(192,444)	46,400	(17,984)	(16,695)	1,289
Fund Balances at Beginning of Year	607,540	607,540	0	32,411	32,411	0
Prior Year Encumbrances Appropriated	210,264	210,264	0	18,761	18,761	0
<b>Fund Balances at End of Year</b>	<b>\$578,960</b>	<b>\$625,360</b>	<b>\$46,400</b>	<b>\$33,188</b>	<b>\$34,477</b>	<b>\$1,289</b>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$141,468	\$141,468	\$0	\$0	\$0	\$0	\$1,014,654	\$1,014,654	\$0
10,420	10,420	0	713,092	713,092	0	3,675,821	3,674,309	(1,512)
0	0	0	25,200	25,684	484	85,200	86,389	1,189
0	0	0	0	0	0	39,311	39,361	50
0	0	0	0	0	0	1,958	1,958	0
0	0	0	0	0	0	31,987	32,037	50
0	0	0	0	0	0	18,139	18,139	0
3,732	3,732	0	0	0	0	64,172	64,226	54
<u>155,620</u>	<u>155,620</u>	<u>0</u>	<u>738,292</u>	<u>738,776</u>	<u>484</u>	<u>4,931,242</u>	<u>4,931,073</u>	<u>(169)</u>
0	0	0	77,585	77,585	0	1,918,238	1,910,863	7,375
0	0	0	0	0	0	280,421	280,421	0
0	0	0	2,767	2,767	0	109,234	109,068	166
0	0	0	0	0	0	174,435	171,414	3,021
0	0	0	2,400	2,400	0	358,165	357,793	372
0	0	0	0	0	0	32,654	32,654	0
0	0	0	0	0	0	429,360	419,232	10,128
4,644	4,644	0	0	0	0	202,058	200,893	1,165
0	0	0	0	0	0	22,308	22,308	0
0	0	0	250	250	0	424,435	408,279	16,156
0	0	0	0	0	0	274,431	265,491	8,940
0	0	0	0	0	0	24,930	24,331	599
0	0	0	0	0	0	970	970	0
0	0	0	0	0	0	84,390	83,970	420
0	0	0	997,118	997,118	0	1,047,554	1,047,554	0
50,000	50,000	0	0	0	0	50,000	50,000	0
32,624	32,624	0	0	0	0	32,624	32,624	0
<u>87,268</u>	<u>87,268</u>	<u>0</u>	<u>1,080,120</u>	<u>1,080,120</u>	<u>0</u>	<u>5,466,207</u>	<u>5,417,865</u>	<u>48,342</u>
<u>68,352</u>	<u>68,352</u>	<u>0</u>	<u>(341,828)</u>	<u>(341,344)</u>	<u>484</u>	<u>(534,965)</u>	<u>(486,792)</u>	<u>48,173</u>
0	0	0	2,724,000	2,724,000	0	2,724,000	2,724,000	0
0	0	0	0	0	0	61	61	0
5,644	5,644	0	0	0	0	10,244	10,244	0
<u>5,644</u>	<u>5,644</u>	<u>0</u>	<u>2,724,000</u>	<u>2,724,000</u>	<u>0</u>	<u>2,734,305</u>	<u>2,734,305</u>	<u>0</u>
73,996	73,996	0	2,382,172	2,382,656	484	2,199,340	2,247,513	48,173
299,666	299,666	0	17,608	17,608	0	957,225	957,225	0
0	0	0	63,970	63,970	0	292,995	292,995	0
<u>\$373,662</u>	<u>\$373,662</u>	<u>\$0</u>	<u>\$2,463,750</u>	<u>\$2,464,234</u>	<u>\$484</u>	<u>\$3,449,560</u>	<u>\$3,497,733</u>	<u>\$48,173</u>

**Fairfield Local School District**  
**Statement of Revenues,**  
**Expenses and Changes in Retained Earnings/Fund Balance**  
**Proprietary Fund Type and Nonexpendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<b><u>Operating Revenues:</u></b>			
Sales	\$90,691	\$0	\$90,691
Interest	0	624	624
Contributions and Donations	0	2,633	2,633
Total Operating Revenues	<u>90,691</u>	<u>3,257</u>	<u>93,948</u>
<b><u>Operating Expenses:</u></b>			
Salaries	52,435	0	52,435
Fringe Benefits	19,935	0	19,935
Purchased Services	7,336	0	7,336
Materials and Supplies	3,223	0	3,223
Cost of Sales	66,177	0	66,177
Depreciation	2,790	0	2,790
Other	0	700	700
Total Operating Expenses	<u>151,896</u>	<u>700</u>	<u>152,596</u>
Operating Income (Loss)	<u>(61,205)</u>	<u>2,557</u>	<u>(58,648)</u>
<b><u>Non-Operating Revenues:</u></b>			
Interest	1,128	0	1,128
Federal Donated Commodities	14,560	0	14,560
Federal and State Subsidies	48,370	0	48,370
Total Non-Operating Revenues	<u>64,058</u>	<u>0</u>	<u>64,058</u>
Net Income	2,853	2,557	5,410
Retained Earnings/Fund Balance at Beginning of Year - Restated (Note 16)	<u>77,591</u>	<u>12,089</u>	<u>89,680</u>
Retained Earnings/Fund Balance at End of Year	<u>\$80,444</u>	<u>\$14,646</u>	<u>\$95,090</u>

See accompanying notes to the general purpose financial statements

**Fairfield Local School District**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Equity - Budget and Actual (Budget Basis)**  
**Proprietary Fund Type and Nonexpendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1999**

	Enterprise Fund			Nonexpendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><i>Revenues:</i></b>						
Sales	\$90,691	\$90,691	\$0	\$0	\$0	\$0
Federal and State Subsidies	48,200	42,451	(5,749)	0	0	0
Interest	1,200	1,128	(72)	624	624	0
Contributions and Donations	0	0	0	2,633	2,633	0
<b>Total Revenues</b>	<b>140,091</b>	<b>134,270</b>	<b>(5,821)</b>	<b>3,257</b>	<b>3,257</b>	<b>0</b>
<b><i>Expenses:</i></b>						
Salaries	52,204	52,204	0	0	0	0
Fringe Benefits	18,835	18,835	0	0	0	0
Purchased Services	7,361	7,336	25	0	0	0
Materials and Supplies	55,144	54,400	744	0	0	0
Capital Outlay	1,688	1,688	0	0	0	0
Other	0	0	0	1,225	1,225	0
<b>Total Expenses</b>	<b>135,232</b>	<b>134,463</b>	<b>769</b>	<b>1,225</b>	<b>1,225</b>	<b>0</b>
Excess of Revenues Over (Under) Expenses	4,859	(193)	(5,052)	2,032	2,032	0
Fund Equity at Beginning of Year	82,044	82,044	0	11,389	11,389	0
Prior Year Encumbrances Appropriated	0	0	0	700	700	0
<b>Fund Equity at End of Year</b>	<b>\$86,903</b>	<b>\$81,851</b>	<b>(\$5,052)</b>	<b>\$14,121</b>	<b>\$14,121</b>	<b>\$0</b>

See accompanying notes to the general purpose financial statements

**Fairfield Local School District**  
**Combined Statement of Cash Flows**  
**Proprietary Fund Type and Nonexpendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$90,691	\$0	\$90,691
Cash Payments to Suppliers for Goods and Services	(61,924)	(700)	(62,624)
Cash Payments to Employees for Services	(52,204)	0	(52,204)
Cash Payments for Employee Benefits	(18,835)	0	(18,835)
Cash Received from Other Sources	0	2,633	2,633
Net Cash Provided by (Used for) Operating Activities	(42,272)	1,933	(40,339)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Operating Grants Received	42,451	0	42,451
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Payments for Capital Acquisitions	(1,500)	0	(1,500)
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest on Investments	1,128	624	1,752
Net Increase (Decrease) in Cash and Cash Equivalents	(193)	2,557	2,364
Cash and Cash Equivalents at Beginning of Year	82,044	12,089	94,133
Cash and Cash Equivalents at End of Year	\$81,851	\$14,646	\$96,497
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u></b>			
Operating Income (Loss)	(\$61,205)	\$2,557	(\$58,648)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u></b>			
<b><u>Depreciation</u></b>			
Depreciation	2,790	0	2,790
Donated Commodities Used During Year	14,560	0	14,560
Interest Received by Nonexpendable Trust	0	(624)	(624)
<b><u>Changes in Assets and Liabilities:</u></b>			
Decrease in Materials and Supplies Inventory	308	0	308
Increase in Inventory Held for Resale	(56)	0	(56)
Increase in Accrued Wages and Benefits	509	0	509
Decrease in Compensated Absences Payable	(382)	0	(382)
Increase in Intergovernmental Payable	1,204	0	1,204
Total Adjustments	18,933	(624)	18,309
Net Cash Provided by (Used for) Operating Activities	(\$42,272)	\$1,933	(\$40,339)
 Reconciliation of Nonexpendable Trust Fund to Balance Sheet			
Cash and Cash Equivalents - All Fiduciary Funds		\$42,393	
Cash and Cash Equivalents - Agency Funds		(27,747)	
Cash and Cash Equivalents - Nonexpendable Trust Fund		\$14,646	

See accompanying notes to the general purpose financial statements

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Fairfield Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The Fairfield Local School District was established in 1962 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 53 square miles. It is located in Highland County and Clinton County, and includes all of the Villages of Leesburg and Highland and all of Fairfield Township, portions of Penn and Liberty Townships and a portion of Wayne Township in Clinton County. The Fairfield Local School District is the 541st largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 35 non-certificated employees, 54 certificated teaching personnel and 6 administrative employees who provide services to 804 students and other community members. The School District currently operates 2 instructional buildings and 1 bus garage.

*Reporting Entity:*

The reporting entity is composed of the primary government. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Fairfield Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with the South Central Ohio Computer Association (SCOCA), the Hopewell Special Education Regional Resource Center (Hopewell), and the Great Oaks Institute of Technology and Career Development.

These jointly governed organizations are presented in Note 13 of the General Purpose Financial Statements. The School District is also associated with the Ohio School Boards Association Workers’ Compensation Group Rating Plan, an insurance purchasing pool (Note 14).

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

*Governmental Fund Types:*

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

The following are the School District's governmental fund types:

*General Fund* - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

*Proprietary Fund Type:*

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

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

*Fiduciary Fund Types:*

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

*Account Groups:*

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

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

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

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

All proprietary and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, and grants.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 which are intended to finance fiscal Year 2000 operations, and delinquent property taxes whose availability is indeterminable, have been recorded as deferred revenue.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

*Tax Budget:*

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

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

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

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

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

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

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

During fiscal year 1999, the School District's investments were limited to repurchase agreements and certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$60,705, which includes \$2,746 assigned from other School District funds. The capital projects funds, enterprise fund, and the nonexpendable trust fund also received interest revenue of \$25,684, \$1,128 and \$624 respectively.

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

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, 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 purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, supplies, and purchased food and are expended when used.

**F. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The School District maintains a capitalization threshold of three hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

All assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	8 - 20 years
Vehicles	10 years
Textbooks	5 years

Annual depreciation is recorded as an expense in the proprietary fund type, but is not recorded as an expenditure in the governmental fund types.

**G. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

*Entitlements*

*General Fund*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Reimbursement

*Non-Reimbursable Grants*

*Special Revenue Funds*

Educational Management Information Systems  
Disadvantaged Pupil Impact Aid  
Title I  
Title VI  
Title VI-B  
Goals 2000 Intervention  
Professional Development Block Grant

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Career Education  
Eisenhower  
Carl Perkins  
Textbook and Instructional Materials  
School Net Professional Development  
Performance Incentive Grant  
LSTA Library Grant

*Capital Projects Fund*  
Technology Equity  
Classroom Facilities

*Reimbursable Grants*  
*General Fund*  
Driver Education

*Special Revenue Funds*  
Post Secondary Vocational Education  
Telecommunications Act Grant

*Capital Projects*  
Vocational Education Equipment

*Proprietary Funds*  
National School Lunch Program  
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 73.7 percent of governmental fund revenue during the 1999 fiscal year.

**H. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

For governmental funds, 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 remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences (including the retirement and attendance incentives), and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have used current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**J. Interfund Transactions**

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. The School District had no operating or residual equity transfers during fiscal year 1999.

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**L. Fund Balance Reserves**

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

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

**M. Estimates**

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

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

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

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
GAAP Basis	(\$13,346)	\$27,393	\$88,135	\$3,114,123
Adjustments:				
Revenue Accruals	(36,640)	(1,727)	(14,139)	0
Expenditure Accruals	10,008	(226)	0	102,383
Encumbrances	(152,466)	(42,135)	0	(833,850)
Budget Basis	<u>(\$192,444)</u>	<u>(\$16,695)</u>	<u>\$73,996</u>	<u>\$2,382,656</u>

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

	Enterprise	Nonexpendable Trust
Net Income/Excess of Revenues Over (Under) Expenses Proprietary Fund Type and Nonexpendable Trust Fund		
GAAP Basis	\$2,853	\$2,557
Adjustments:		
Revenue Accruals	(5,919)	0
Expense Accruals	(1,417)	0
Capital Outlay	1,500	
Encumbrances	0	(525)
Depreciation Expense	2,790	0
Budget Basis	(\$193)	\$2,032

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$3,429,577 and the bank balance was \$3,467,697. Of the bank balance, \$318,306 was covered by federal depository insurance and \$3,149,391 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterpart's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$1,221,413	\$1,221,413	\$1,221,413

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

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$4,650,990	\$0
Investments:		
Repurchase Agreements	(1,221,413)	1,221,413
GASB Statement No. 3	\$3,429,577	\$1,221,413

**NOTE - 5 PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE - 5 PROPERTY TAXES** (continued)

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

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

The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$29,753,600	74.41%	\$31,717,770	73.67%
Public Utility	2,412,790	6.03%	3,091,720	7.18%
Tangible Personal Property	<u>7,820,790</u>	<u>19.56%</u>	<u>8,242,470</u>	<u>19.15%</u>
Total Assessed Value	<u>\$39,987,180</u>	<u>100.00%</u>	<u>\$43,051,960</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$28.00		\$32.85	

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$51,873 in the general fund, \$1,295 in the classroom facilities maintenance special revenue fund and \$15,157 in the debt service fund.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 6 - RECEIVABLES**

Receivables at June 30, 1999, consisted of intergovernmental grants and property taxes. 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

*General Fund*

Driver's Education	\$1,850
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*Special Revenue Fund*

Telecommunications Act Grant	1,512
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*Enterprise Fund*

Food Services	5,919
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Total Intergovernmental Receivables	<u><u>\$9,281</u></u>
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**NOTE 7 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$125,558
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Less Accumulated Depreciation	<u>(118,100)</u>
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Net Fixed Assets	<u><u>\$7,458</u></u>
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Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 7 - FIXED ASSETS** (continued)

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at June 30, 1998	Additions	Deletions	Balance at June 30, 1998
Land and Improvements	\$675,537	\$0	\$0	\$675,537
Buildings and Improvements	2,467,929	0	0	2,467,929
Furniture, Fixtures and Equipment	1,104,716	96,256	6,039	1,194,933
Vehicles	544,966	75,107	0	620,073
Text Books	370,590	0	0	370,590
Construction In Progress	0	266,921	0	266,921
Totals	<u>\$5,163,738</u>	<u>\$438,284</u>	<u>\$6,039</u>	5,595,983
Accumulated Depreciation				<u>(4,440,865)</u>
Total General Fixed Assets				<u><u>\$1,155,118</u></u>

**NOTE 8-RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Love Insurance Agency for property insurance and inland marine coverage. Fleet insurance is provided by Arthur J. Gallagher and Company and liability insurance is provided by Nationwide Insurance Company. Coverages provided are as follows:

Building and contents \$250.00 Deductible ..... \$7,811,144

**FLEET INSURANCE COVERAGES**

Combined single Limit Liability ..... \$2,000,00  
Extended Med Pay ..... \$3,000  
Uninsured Motorist ..... \$50,000  
Comprehensive ..... ACV  
Collision ..... \$250 Deductible  
Rental Reimbursement (Buses)  
Hired, Non-Owned Auto  
Primary Non-IWBED

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 8-RISK MANAGEMENT** (continued)

This coverage includes the driver's education car for a year.

General Liability

Each Occurrence Limit .....	\$2,000,000
General Aggregate Limit .....	\$5,000,000
Commercial Umbrella Liability Policy Business Auto Policy Limit . . .	\$1,000,000

Settled claims have not exceeded this commercial coverage in any of the past seven years. There has been no significant reduction of coverage from the prior year.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$39,537, \$53,564 and \$51,886, respectively; 46 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$21,519 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$100,069, \$210,863 and \$204,720, respectively; 81 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$19,202 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health

Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$133,425 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$39,700.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. The superintendent and classified employees working twelve months of the year earn ten to twenty days of vacation per fiscal year, depending upon length of service. The treasurer earns twenty-five days of vacation per fiscal year. Accumulated, unused vacation time is paid to classified employees and the superintendent and treasurer upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 30 days.

**B. Health Care Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Community National at the expense of the Board of Education. The School District has elected to provide employee medical/surgical benefits through Anthem Blue Cross/Blue shield. Dental insurance is provided by Coresource. The cost of health insurance premiums are shared by the employees and the Board of Education as provided in the negotiated master agreement. The cost of dental premiums is completely paid by the Board of Education.

**C. Retirement Incentive**

An employee who retires during the duration of the contract years July 1, 1997, through June 30, 1999, will receive a retirement incentive bonus based on the following formula:

One-half percent (.005) of the employee's average total compensation the last three full years of his/her employment in the School District.

The average is then multiplied by (X), where (X) equals the number of complete years of service in the Fairfield Local School District.

The following restrictions apply to this incentive:

1. The employee must be eligible for and taking initial regular retirement under either STRS or SERS. (Persons previously retired under STRS or SERS are ineligible.)
2. This incentive expired on June 30, 1999.
3. Retirement date must be during this contract term.
4. The employee must give the Board of Education a minimum of ninety (90) days written notice of his/her intent to retire.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 11 - EMPLOYEE BENEFITS** (continued)

5. An employee who retires during the school year receives no partial credit for that year in terms of bonus calculation; the bonus will be based on the last three complete years of service.
6. Compensation upon which the bonus is calculated includes all payments made to the employee from which retirement has been withheld.

The retirement incentive bonus is paid within thirty days of the actual retirement date, provided written evidence of actual retirement (such as a copy of a retirement check or its stub) has been provided to the Treasurer.

**D. Perfect/Excellent Attendance Incentive**

Bonus checks are issued to employees who have perfect or excellent attendance in any full work year (July 1 - June 30). Bonuses are paid as a percentage of a day's pay for each employee's "reference rate" as follows:

- Certified Employees - Step 6 of the individual's salary column
- Classified Employees - Step 3 of the individual's job classification

On the chart below, whenever an individual has used less than three days of either personal or sick days, he/she qualifies for a bonus. When two or fewer days have been used in both categories, the percentages are added together to be multiplied by that employee's reference rate. Thus, an employee with perfect attendance would receive 150% of his/her reference rate, with further possible combinations yielding percentages of 125%, 100%, 75%, 50%, and 25%.

Leave Days Used	Personal	Sick
0	75%	75%
1	50%	50%
2	25%	25%

Other conditions:

1. Only full time, regular employees are eligible for participation in this program.
2. Any use of unpaid leave or docked days disqualifies the employee from any bonus.
3. Payment will be made on a separate check no later than July 31 each year.
4. No STRS or SERS will be withheld. However all taxes apply and will be withheld.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 11 - EMPLOYEE BENEFITS** (continued)

5. This program expired July 1, 1999 and will be re-evaluated to determine effectiveness and cost.

**NOTE 12 - LONG TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding June 30, 1998	Additions	Deductions	Principal Outstanding June 30, 1999
General Obligation Bonds				
School Improvement Bonds 1981 11.25%	\$315,000	\$0	\$50,000	\$265,000
School Improvement Bonds 1999 3.75% - 5.3%	0	1,774,000	0	1,774,000
School Improvement Bonds 1999 3.75%-5.35%	0	950,000	0	950,000
Total General Obligation Bonds	<u>315,000</u>	<u>2,724,000</u>	<u>50,000</u>	<u>2,989,000</u>
Compensated Absences	73,354	18,605	0	91,959
Intergovernmental Payable- (Pension Obligation)	32,566	33,637	32,566	33,637
Total General Long-Term Obligations	<u>\$420,920</u>	<u>\$2,776,242</u>	<u>\$82,566</u>	<u>\$3,114,596</u>

**School Improvement Bonds 1981**

The School District issued \$1,150,000 in voted general obligation bonds for the purpose of making improvements to the School District's facilities. The bonds were issued for a twenty-three year period with final maturity on December 1, 2003.

**School Improvement Bonds 1999**

The School District issued \$1,774,000 in voted general obligation bonds for the purpose of making improvements to the School District's K-12 facilities. The bonds were issued for a twenty-three year period with final maturity on December 1, 2021.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 12 - LONG TERM OBLIGATIONS** (continued)

School Improvement Bonds 1999

The School District issued \$950,000 in voted general obligation bonds for the purpose of making improvements to the bus garage, administration office, vocational agricultural facility and athletic fields. The bonds were issued for a twenty-three year period with final maturity on December 1, 2021.

The general obligation bonds will be paid from property tax revenue received in the debt service fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$1,274,495 with an unvoted debt margin of \$43,052 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$124,000	\$176,877	\$300,877
2001	120,000	151,170	271,170
2002	130,000	142,435	272,435
2003	125,000	133,491	258,491
2004	140,000	124,244	264,244
2005-2009	460,000	547,360	1,007,360
2010-2014	585,000	422,553	1,007,553
2015-2019	750,000	250,508	1,000,508
2020-2022	555,000	45,334	600,334
Total	<u>\$2,989,000</u>	<u>\$1,993,972</u>	<u>\$4,982,972</u>

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Cental Ohio Computer Association (SCOCA)**

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$3,364 for service provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

**B. Hopewell Special Education Regional Resource Center (Hopewell)**

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the county board of education, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants.

**C. Great Oaks Institute of Technology and Career Development**

The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possess its own budgetary and taxing authority. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, OH 45241-1581.

**NOTE 14 - INSURANCE PURCHASING POOL**

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 15 - SCHOOL FUNDING**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,646,329 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the thorough and efficient clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding under this program and on its financial operations.

**NOTE 16 - RESTATEMENT OF RETAINED EARNINGS/ACCOUNT GROUP BALANCE**

Compensated absences have been restated in the General Long-Term Obligations Account Group and the Food Service Enterprise Fund. The restatement had the following effect on retained earnings/account group balance as it was previously reported as of June 30, 1998:

	Enterprise Fund	General Long-Term Obligations Account Group
Retained Earnings/Account Group Balance previously reported at June 30, 1998	\$72,316	\$485,009
Restatement for compensated absences	5,275	64,089
Retained Earnings/Account Group Balance restated at June 30, 1998	\$77,591	\$420,920

**NOTE 17 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$19,388	
Current Year Set-aside Requirement	52,981	52,976	26,551	
Current Year Offsets	(11,696)	0	0	
Qualifying Disbursements	<u>(41,285)</u>	<u>(52,976)</u>	<u>0</u>	
Total	<u>\$0</u>	<u>\$0</u>	<u>\$45,939</u>	
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$45,939</u>	\$45,939
Amount restricted for school bus purchases				<u>2,663</u>
Total Restricted Assets				<u>\$48,602</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**NOTE 18 - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations as early as fiscal 1999.

Fairfield Local School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being accounting, financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The School District utilizes an external service organization for its accounting, financial reporting, payroll and employee benefits, and educational statistics reporting systems. The service organization uses the State of Ohio Uniform Accounting System for its accounting and financial reporting systems, the State of Ohio Uniform School Payroll System for its payroll and employee benefits,

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 18 - YEAR 2000 ISSUE** (continued)

the School Asset Account System for its financial reporting system. The State is responsible for remediating these systems and any associated cost.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

Highland County collects property taxes for distribution to the School District. Highland County is responsible for remediating its tax collection system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

The School District is not party to any legal proceeding.

**NOTE 20 - ACCOUNTABILITY**

The School Net Professional Development and Title VI-B Special Revenue Funds had deficit fund balances of \$24 and \$215, respectively. The deficits are due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The General Fund is liable for the deficits in the these funds and provides operating transfers when cash is required, not when accruals occur.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999

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**NOTE 21 - CONSTRUCTION COMMITMENTS**

The School District has entered into a contract for the design of a new building. Although the School District plans to enter into various contracts for the construction and acquisition of capital assets, at June 30, 1999, the only outstanding construction commitment is:

Project	Contract Amount	Amount Expended	Balance At June 30, 1999
S.E.M. Partners, Incorporated	\$985,326	(\$153,652)	\$831,674

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Fairfield Local School District  
Highland County  
200 South Street  
Leesburg, Ohio 45135

To the Board of Education:

We have audited the general-purpose financial statements of the Fairfield Local School District, Highland County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated January 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Fairfield Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a matter involving non-compliance that does not require inclusion in this report that we have reported to management in a separate letter dated January 4, 2000.

**Internal Control Over Financial Reporting**

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

This report is intended for the information and use of the audit committee, management, and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

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

**Jim Petro**  
Auditor of State

January 4, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**FAIRFIELD CITY SCHOOL DISTRICT**

**HIGHLAND 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 1, 2000**