



Mary Taylor, CPA
Auditor of State

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets as of June 30, 2009	11
Statement of Activities – For the Fiscal Year Ended June 30, 2009	12
Fund Financial Statements:	
Balance Sheet as of June 30, 2008 – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities as of June 30, 2009	14
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2009.....	15
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities – For the Fiscal Year Ended June 30, 2009.....	16
Statement of Revenues, Expenditures, and Changes In Fund Balances – Budget (Non-GAAP Basis) and Actual - General Fund – For the Fiscal Year Ended June 30, 2009.....	17
Statement of Fiduciary Net Assets – Fiduciary Funds as of June 30, 2009.....	18
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds For the Fiscal Year Ended June 30, 2009.....	19
Notes to the Basic Financial Statements.....	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Accountants' Report on Applying Agreed Upon Procedures.....	53

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Fairfield Local School District
Highland County
11611 State Route 771
Leesburg, Ohio 45135

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfield Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfield Local School District, Highland County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

January 13, 2010

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

As management of the Fairfield Local School District, we offer readers of the Fairfield Local School District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here to enhance their understanding of the School District's financial performance.

Financial Highlights

Assets of the School District's governmental activities exceeded its liabilities at June 30, 2009 by \$14,659,295.

In total, governmental net assets increased \$778,753 during fiscal year 2009.

General revenues of the governmental activities accounted for \$6,843,903 or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants, contributions and interest accounted for \$1,404,644 or 17 percent of total revenues of \$8,248,547.

The School District had \$7,469,794 in expenses related to governmental activities; 19 percent of these expenses were offset by program specific charges for services and sales and operating grants, contributions and interest.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other nonmajor funds presented in total in one column. The major funds of the School District are the General Fund and the Debt Service Fund.

Reporting the Fairfield Local School District as a Whole

The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that demonstrates how the School District did financially during 2009. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

These two statements report net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Some factors may be financial while others such as mandated educational programs are non-financial factors.

Reporting the Fairfield Local School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

Fiduciary Funds - The School District's fiduciary funds are a private purpose trust fund, which is used to account for college scholarship programs, and an agency fund, which is used to account for those student activities which consist of a student body, student president, student treasurer and faculty advisor. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2009 and 2008:

(Table 1)
Net Assets

	Governmental Activities		Change
	2009	2008	
Assets:			
Current and Other Assets	\$4,083,789	\$3,431,663	\$652,126
Capital Assets, Net	15,971,070	16,493,006	(521,936)
Total Assets	20,054,859	19,924,669	130,190
Liabilities:			
Other Liabilities	(2,954,039)	(3,486,202)	532,163
Long-Term Liabilities	(2,441,525)	(2,557,925)	116,400
Total Liabilities	(5,395,564)	(6,044,127)	648,563
Net Assets:			
Invested in Capital Assets, Net of Related Debt	14,090,748	14,512,658	(421,910)
Restricted	764,547	672,493	92,054
Unrestricted (Deficit)	(196,000)	(1,304,609)	1,108,609
Total Net Assets	\$14,659,295	\$13,880,542	\$778,753

Total net assets increased \$778,753, due to an increase of \$1,108,609 in unrestricted net assets related to a large decrease in program expenses. Equity in Pooled Cash and Cash Equivalents also increased \$538,066, due to large decreases in overall expenses and personnel. Capital assets acquisitions in the amount of \$195,081 were not enough to cover depreciation of \$717,017. Capital assets are used to provide services to students and do not represent assets that may be used for future spending.

Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

(Table 2)
Change in Net Assets

	Governmental Activities		Change
	2009	2008	
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$477,072	\$589,181	(\$112,109)
Operating Grants, Contributions and Interest	927,572	791,624	135,948
Total Program Revenues	<u>1,404,644</u>	<u>1,380,805</u>	<u>23,839</u>
General Revenues:			
Property Taxes	1,769,494	1,533,068	236,426
Grants and Entitlements not Restricted to Specific Programs	4,978,139	4,852,882	125,257
Gifts and Donations	2,800	20,681	(17,881)
Interest	17,534	54,129	(36,595)
Miscellaneous	75,936	71,902	4,034
Total General Revenues	<u>6,843,903</u>	<u>6,532,662</u>	<u>311,241</u>
Total Revenues	<u>8,248,547</u>	<u>7,913,467</u>	<u>335,080</u>
Program Expenses:			
Instruction:			
Regular	3,460,483	3,876,594	(416,111)
Special	373,139	623,220	(250,081)
Vocational	193,557	296,044	(102,487)
Student Intervention Services	25,617	22,858	2,759
Support Services:			
Pupils	283,539	327,878	(44,339)
Instructional Staff	467,112	705,265	(238,153)
Board of Education	22,515	35,218	(12,703)
Administration	519,091	850,964	(331,873)
Fiscal	322,012	336,800	(14,788)
Business	45,837	43,749	2,088
Operation and Maintenance of Plant	659,355	754,742	(95,387)
Pupil Transportation	470,922	500,179	(29,257)
Central	115,856	101,540	14,316
Operation of Non-Instructional Services:			
Community Services	7,528	34,010	(26,482)
Food Services	298,900	265,746	33,154
Extracurricular Activities	110,320	102,923	7,397
Interest and Fiscal Charges	94,011	94,837	(826)
Total Expenses	<u>7,469,794</u>	<u>8,972,567</u>	<u>(1,502,773)</u>
Increase (Decrease) in Net Assets	778,753	(1,059,100)	1,837,853
Net Assets at Beginning of Year	13,880,542	14,939,642	(1,059,100)
Net Assets at End of Year	<u>\$14,659,295</u>	<u>\$13,880,542</u>	<u>\$778,753</u>

Fairfield Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2009
 Unaudited

Overall, revenues increased \$335,080. Charges for Services and Sales decreased \$112,109. Regular instruction, special instruction, vocational instruction, support services – instructional staff and administration decreased \$416,111, \$250,081, \$102,487, \$238,153, and \$331,873, respectively. The decreases in expenses were primarily due to staff reductions and retirements during the fiscal year.

The Statement of Activities shows the cost of program services and the charges for services and sales and operating grants, contributions and interest offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and property taxes.

(Table 3)
Governmental Activities

	Total Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
Instruction	\$4,052,796	\$4,818,716	(\$3,221,594)	(\$4,021,308)
Support Services	2,906,239	3,656,335	(2,648,832)	(3,407,785)
Operation of Non-Instructional Services	306,428	299,756	(40,485)	(25,562)
Extracurricular Activities	110,320	102,923	(60,228)	(42,270)
Interest and Fiscal Charges	94,011	94,837	(94,011)	(94,837)
Total Expenses	<u>\$7,469,794</u>	<u>\$8,972,567</u>	<u>(\$6,065,150)</u>	<u>(\$7,591,762)</u>

The School District's Funds

Information about the School District's major funds starts on page 12. The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,162,899 and expenditures of \$7,060,802.

The fund balance in the General Fund increased \$1,006,400. Regular instruction and support services – administration decreased \$336,738 and \$366,232, respectively. The decreases were due primarily to staff reductions and retirements during the fiscal year.

The fund balance in the Debt Service Fund increased \$15,330. The revenues that the School District received from property taxes and intergovernmental sources exceeded the expenditures by the School District for debt payments.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated fund balance was \$93,968 more than the final budgeted amount for the General Fund. Final budgeted expenditures were \$55,290 more than actual expenditures. Original budgeted appropriations were \$232,215 less than final budgeted expenditures. This was primarily due to an increase in regular instruction of \$516,973, offset by a decrease in support services administration of \$147,106. Original budgeted revenues were \$170,994 less than final budgeted revenues primarily due to a decrease in property tax revenue of \$210,931. Final budgeted revenues were \$38,678 less than actual revenues due to an increase in tuition and fees of \$32,172.

Capital Assets

At the end of fiscal year 2009 the School District had \$15,971,070 invested in capital assets.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	\$399,200	\$399,200
Land Improvements	368,621	408,275
Buildings and Improvements	14,398,411	14,854,011
Furniture, Fixtures and Equipment	643,790	708,687
Vehicles	161,048	122,833
Totals	\$15,971,070	\$16,493,006

For more information on capital assets, see Note 8 to the basic financial statements.

Fairfield Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2009
 Unaudited

Debt

At June 30, 2009, the School District had \$1,879,999 in bonds outstanding, with \$100,000 due within one year. Table 5 summarizes bonds outstanding:

(Table 5)

Outstanding Debt, at Fiscal Year-End

	2009	2008
General Obligation Bonds:		
2006 3.50% to 11.27% School Improvement Refunding Bonds	\$1,879,999	\$1,979,999
Accretion on Capital Appreciation Bonds	78,999	52,930
Premium on Debt Issuance	129,690	140,065
Deferred Gain on Refunding	(82,635)	(89,246)
Totals	\$2,006,053	\$2,083,748

The School District's overall legal debt margin was \$4,849,370 with an unvoted debt margin of \$68,286 at June 30, 2009.

For more information on debt, refer to Note 13 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact J. Bart Barber, Treasurer, Fairfield Local School District, 11611 S.R. 771, Leesburg, Ohio, 45135.

This page intentionally left blank.

Fairfield Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,207,652
Materials and Supplies Inventory	1,606
Inventory Held for Resale	2,448
Taxes Receivable	1,815,351
Cash and Cash Equivalents with Fiscal Agents	10,000
Deferred Charges	46,732
Capital Assets:	
Land	399,200
Depreciable Capital Assets, Net	<u>15,571,870</u>
 Total Assets	 <u>20,054,859</u>
Liabilities	
Accounts Payable	71,592
Accrued Wages and Benefits Payable	555,873
Intergovernmental Payable	311,761
Matured Compensated Absences Payable	14,194
Deferred Revenue	1,649,410
Matured Bonds Payable	10,000
Accrued Interest Payable	5,357
Claims Payable	335,852
Long-Term Liabilities:	
Due Within One Year	147,154
Due in More Than One Year	<u>2,294,371</u>
 Total Liabilities	 <u>5,395,564</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	14,090,748
Restricted for:	
Debt Service	587,107
Other Purposes	114,760
Capital Outlay	62,680
Unrestricted (Deficit)	<u>(196,000)</u>
 Total Net Assets	 <u><u>\$14,659,295</u></u>

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$3,460,483	\$428,167	\$65,720	(\$2,966,596)
Special	373,139	0	286,084	(87,055)
Vocational	193,557	0	51,231	(142,326)
Student Intervention Services	25,617	0	0	(25,617)
Support Services:				
Pupils	283,539	0	1,551	(281,988)
Instructional Staff	467,112	0	162,715	(304,397)
Board of Education	22,515	0	775	(21,740)
Administration	519,091	0	3,102	(515,989)
Fiscal	322,012	0	775	(321,237)
Business	45,837	0	0	(45,837)
Operation and Maintenance of Plant	659,355	1,798	60,316	(597,241)
Pupil Transportation	470,922	0	21,375	(449,547)
Central	115,856	0	5,000	(110,856)
Operation of Non-Instructional Services:				
Community Services	7,528	0	0	(7,528)
Food Services	298,900	0	265,943	(32,957)
Extracurricular Activities	110,320	47,107	2,985	(60,228)
Interest and Fiscal Charges	94,011	0	0	(94,011)
Total Governmental Activities	<u>\$7,469,794</u>	<u>\$477,072</u>	<u>\$927,572</u>	<u>(6,065,150)</u>
General Revenues:				
Property Taxes Levied for:				
				1,386,528
				173,246
				209,720
				4,978,139
				2,800
				17,534
				75,936
				<u>6,843,903</u>
				778,753
				<u>13,880,542</u>
				<u>\$14,659,295</u>

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District

Balance Sheet
Governmental Funds
June 30, 2009

	General	Debt Service	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,380,051	\$576,995	\$250,606	\$2,207,652
Cash and Cash Equivalents with Fiscal Agents	0	10,000	0	10,000
Materials and Supplies Inventory	0	0	1,606	1,606
Inventory Held for Resale	0	0	2,448	2,448
Taxes Receivable	1,445,997	171,492	197,862	1,815,351
Advances to Other Funds	47,000	0	0	47,000
Total Assets	<u>\$2,873,048</u>	<u>\$758,487</u>	<u>\$452,522</u>	<u>\$4,084,057</u>
Liabilities				
Accounts Payable	\$63,237	\$0	\$8,355	\$71,592
Accrued Wages and Benefits Payable	516,246	0	39,627	555,873
Intergovernmental Payable	291,834	0	19,927	311,761
Matured Compensated Absences Payable	14,194	0	0	14,194
Deferred Revenue	1,394,541	164,855	185,203	1,744,599
Matured Bonds Payable	0	10,000	0	10,000
Advances From Other Funds	0	0	47,000	47,000
Claims Payable	335,852	0	0	335,852
Total Liabilities	<u>2,615,904</u>	<u>174,855</u>	<u>300,112</u>	<u>3,090,871</u>
Fund Balances				
Reserved for Encumbrances	330,885	0	29,272	360,157
Reserved for Advances	47,000	0	0	47,000
Reserved for Property Taxes	51,456	6,637	12,659	70,752
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	(172,197)	0	0	(172,197)
Special Revenue Funds	0	0	75,669	75,669
Debt Service Fund	0	576,995	0	576,995
Capital Projects Funds	0	0	34,810	34,810
Total Fund Balances	<u>257,144</u>	<u>583,632</u>	<u>152,410</u>	<u>993,186</u>
Total Liabilities and Fund Balances	<u>\$2,873,048</u>	<u>\$758,487</u>	<u>\$452,522</u>	<u>\$4,084,057</u>

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009

Total Governmental Fund Balances		\$993,186
 Amounts reported for governmental activities in the Statement of Net Assets are different because:		
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Capital assets	22,967,132	
Accumulated depreciation	(6,996,062)	
Total capital assets	15,971,070	15,971,070
 Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Taxes		95,189
 Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.		
		46,732
 In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(5,357)
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(1,879,999)	
Accretion on capital appreciation bonds	(78,999)	
Premium on debt issuance	(129,690)	
Deferred gain on refunding	82,635	
Compensated absences	(435,472)	
	(2,441,525)	(2,441,525)
 Net Assets of Governmental Activities		 \$14,659,295

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Debt Service	All Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$1,325,428	\$165,375	\$193,043	\$1,683,846
Intergovernmental	5,244,482	22,312	490,485	5,757,279
Interest	17,534	0	398	17,932
Tuition and Fees	356,370	0	0	356,370
Extracurricular Activities	0	0	47,107	47,107
Customer Services	71,797	0	145,049	216,846
Rent	1,798	0	0	1,798
Gifts and Donations	2,800	0	2,985	5,785
Miscellaneous	38,657	1,454	35,825	75,936
Total Revenues	7,058,866	189,141	914,892	8,162,899
Expenditures:				
Current:				
Instruction:				
Regular	3,220,873	0	37,228	3,258,101
Special	289,810	0	67,329	357,139
Vocational	179,640	0	0	179,640
Student Intervention Services	25,817	0	0	25,817
Support Services:				
Pupils	262,990	0	0	262,990
Instructional Staff	223,712	0	174,216	397,928
Board of Education	22,515	0	0	22,515
Administration	487,648	0	855	488,503
Fiscal	280,797	5,561	5,743	292,101
Business	14,032	0	31,805	45,837
Operation and Maintenance of Plant	444,016	0	173,329	617,345
Pupil Transportation	431,618	0	36,520	468,138
Central	114,984	0	448	115,432
Operation of Non-Instructional Services:				
Community Services	7,528	0	0	7,528
Food Service Operations	0	0	252,746	252,746
Extracurricular Activities	46,486	0	54,306	100,792
Debt Service:				
Principal Retirement	0	100,000	0	100,000
Interest and Fiscal Charges	0	68,250	0	68,250
Total Expenditures	6,052,466	173,811	834,525	7,060,802
Net Change in Fund Balances	1,006,400	15,330	80,367	1,102,097
Fund Balances (Deficit) at Beginning of Year	(749,256)	568,302	72,043	(108,911)
Fund Balances at End of Year	\$257,144	\$583,632	\$152,410	\$993,186

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$1,102,097

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	195,081	
Depreciation expense	<u>(717,017)</u>	
Excess of capital outlay under depreciation expense		(521,936)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent Property Taxes		85,648
---------------------------	--	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds:

Amortization of bond issuance costs	(3,738)	
Amortization of deferred gain on refunding	(6,611)	
Amortization of bond premium	10,375	
Accretion on bonds	(26,069)	
Accrued Interest on bonds	<u>282</u>	
		(25,761)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

In the current fiscal year, this amount consisted of:

Bond principal retirement		100,000
---------------------------	--	---------

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences		<u>38,705</u>
----------------------------------	--	---------------

Change in Net Assets of Governmental Activities \$778,753

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$1,516,543	\$1,305,612	\$1,305,612	\$0
Intergovernmental	4,881,148	5,234,061	5,234,225	164
Interest	17,066	18,300	17,534	(766)
Tuition and Fees	302,339	324,198	356,370	32,172
Customer Services	60,451	64,822	71,797	6,975
Rent	1,677	1,798	1,798	0
Gifts and Donations	2,611	2,800	2,800	0
Miscellaneous	17,121	18,359	18,492	133
Total Revenues	6,798,956	6,969,950	7,008,628	38,678
Expenditures:				
Current:				
Instruction:				
Regular	3,136,939	3,653,912	3,615,290	38,622
Special	443,263	370,033	366,910	3,123
Vocational	252,319	218,964	212,755	6,209
Student Intervention Services	27,278	26,160	26,100	60
Support Services:				
Pupils	306,874	296,072	290,763	5,309
Instructional Staff	354,610	337,086	332,797	4,289
Board of Education	61,375	36,370	35,977	393
Administration	750,137	603,031	591,797	11,234
Fiscal	334,152	313,114	310,361	2,753
Business	13,639	14,200	14,032	168
Operation and Maintenance of Plant	552,374	524,303	536,415	(12,112)
Pupil Transportation	463,721	490,189	497,400	(7,211)
Central	12,275	120,361	119,438	923
Operation of Non-Instructional Services:				
Community Services	0	1,521	1,521	0
Food Service Operations	0	44	0	44
Extracurricular Activities	110,475	46,286	44,800	1,486
Total Expenditures	6,819,431	7,051,646	6,996,356	55,290
Excess of Revenues Over (Under) Expenditures	(20,475)	(81,696)	12,272	93,968
Other Financing Sources (Uses):				
Advances In	90,000	90,000	90,000	0
Refund of Prior Year Expenditures	10,439	10,440	10,440	0
Insurance Recoveries	19,980	19,982	19,982	0
Advances Out	(65,000)	(65,000)	(65,000)	0
Total Other Financing Sources (Uses)	55,419	55,422	55,422	0
Net Change in Fund Balance	34,944	(26,274)	67,694	93,968
Fund Balance at Beginning of Year	772,481	772,481	772,481	0
Prior Year Encumbrances Appropriated	145,731	145,731	145,731	0
Fund Balance at End of Year	\$953,156	\$891,938	\$985,906	\$93,968

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$40,744	\$30,791
Liabilities		
Undistributed Monies	0	\$30,791
Net Assets		
Held in Trust for Scholarships	\$40,744	

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	\$2,000
Interest	501
Total Additions	2,501
Deductions:	
Payments in Accordance with Trust Agreements	1,382
Change in Net Assets	1,119
Net Assets at Beginning of Year	39,625
Net Assets at End of Year	\$40,744

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 federal guidelines.

The Fairfield Local School District was established in 1962. The School District serves an area of approximately 53 square miles. It is located in Highland and Clinton Counties, and includes all of the Villages of Leesburg and Highland, all of Fairfield Township, portions of Penn and Liberty Townships and a portion of Wayne Township in Clinton County. The School District is staffed by 38 non-certificated employees, 56 certificated teaching personnel and seven administrative employees who provide services to 923 students and other community members. The School District currently operates one instructional building and one bus garage.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 participates in two jointly governed organizations and two pools. These organizations are the South Central Ohio Computer Association, the Great Oaks Institute of Technology and Career Development, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the South Central Ohio Insurance Consortium. These organizations are presented in Notes 16 and 17 of the basic financial statements.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

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 governmental 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

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no business-type activities.

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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.

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 certain other long-term obligations when the School District is obligated for the payment.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

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

The private purpose trust fund is reported using the economic resources measurement focus.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, “available” means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, property taxes available for advance are considered to be both measurable and available at fiscal year-end.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. 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 financial statements as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits.

During fiscal year 2009, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2009 amounted to \$17,534, which includes \$7,404 assigned from other School District funds.

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 presented on the financial statements as cash and cash equivalents.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of purchased food held for resale and consumable supplies.

G. Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

In the government-wide financial statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the period when the debt is issued. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

H. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 - 40 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	8 - 10 years
Vehicles	10 years
Textbooks	5 years

I. Interfund Balances

On fund financial statements, long-term interfund loan receivables and payables are reported as “Advances to Other Funds” and “Advances from Other Funds” and are equally offset by a fund balance reserve in the funds making the advances, which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the 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.

K. Accrued Liabilities and Long-Term Obligations

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations and music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide Statement of Net Assets reports \$764,547 of restricted net assets, none of which are restricted by enabling legislation.

M. 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, advances, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2009.

N. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

O. 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.

P. Budgetary Process

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

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 3 - ACCOUNTABILITY

At June 30, 2009, the Food Service, Title I and Title VIB Special Revenue Funds had deficit fund balances of \$16,232, \$59,193, and \$12,357, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$1,006,400
Adjustments:	
Revenue Accruals	(19,816)
Expenditure Accruals	(549,745)
Encumbrances	(394,145)
Advances	25,000
Budget Basis	<u><u>\$67,694</u></u>

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

7. The State Treasurer's investment pool (STAROhio); and

8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2009, the School District only had investments with STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$948,650</u>	Average 58.1 Days

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond State statute requirements. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected in calendar year 2009 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Highland and Clinton Counties. The Highland County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 6 - PROPERTY TAXES (continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009 was \$51,456 in the General Fund, \$6,637 in the Debt Service Fund, \$1,127 in the Classroom Facilities Maintenance Special Revenue Fund (All Other Governmental Funds), and \$11,532 in the Permanent Improvement Capital Projects Fund (All Other Governmental Funds). The amount available as an advance at June 30, 2008 was \$31,640 in the General Fund, \$4,096 in the Debt Service Fund, and \$694 in the Classroom Facilities Maintenance Special Revenue Fund (All Other Governmental Funds).

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second - Half Collections		2009 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$65,438,980	90.28%	\$66,610,790	97.02%
Public Utility Personal	1,894,340	2.61%	1,926,370	2.81%
General Business Personal Property	5,155,588	7.11%	119,700	0.17%
Total Assessed Value	<u>\$72,488,908</u>	<u>100.00%</u>	<u>\$68,656,860</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.59		\$34.09	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of 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. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Deductions	Balance at 6/30/09
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$399,200	\$0	\$0	\$399,200
Capital Assets Being Depreciated:				
Land Improvements	692,656	0	0	692,656
Buildings and Improvements	18,319,902	876	0	18,320,778
Furniture, Fixtures and Equipment	1,888,128	125,205	(83,377)	1,929,956
Vehicles	638,396	69,000	(53,729)	653,667
Textbooks	970,875	0	0	970,875
Totals Capital Assets Being Depreciated	<u>22,509,957</u>	<u>195,081</u>	<u>(137,106)</u>	<u>22,567,932</u>
Less Accumulated Depreciation:				
Land Improvements	(284,381)	(39,654)	0	(324,035)
Buildings and Improvements	(3,465,891)	(456,476)	0	(3,922,367)
Furniture, Fixtures and Equipment	(1,179,441)	(190,102)	83,377	(1,286,166)
Vehicles	(515,563)	(30,785)	53,729	(492,619)
Textbooks	(970,875)	0	0	(970,875)
Total Accumulated Depreciation	<u>(6,416,151)</u>	<u>(717,017) *</u>	<u>137,106</u>	<u>(6,996,062)</u>
Total Capital Assets Being Depreciated, Net	<u>16,093,806</u>	<u>(521,936)</u>	<u>0</u>	<u>15,571,870</u>
Governmental Activities Capital Assets, Net	<u>\$16,493,006</u>	<u>(\$521,936)</u>	<u>\$0</u>	<u>\$15,971,070</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$309,130
Special	26,210
Vocational	20,891
Support Services:	
Pupils	20,907
Instructional Staff	82,113
Administration	48,982
Fiscal	19,019
Operation and Maintenance of Plant	57,676
Pupil Transportation	70,176
Central	424
Operation of Non-Instructional Services - Food Service Operations	51,085
Extracurricular Activities	10,404
Total Depreciation Expense	<u>\$717,017</u>

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted with Phelan Insurance Agency for property insurance coverage. Coverage is as follows:

Building and contents (\$2,500 Deductible)	\$24,239,227
Fleet Insurance Coverage	
Combined single Limit Liability	\$1,000,000
Auto Medical Payments	5,000
Uninsured Motorist	1,000,000
Comprehensive	ACV or cost of repair, whichever is less Minus the applicable deductibles
Collision	ACV or cost of repair, whichever is less Minus the applicable deductibles
General Liability	
Each Occurrence Limit	1,000,000
General Aggregate Limit	2,000,000
Excess Liability each Occurrence Limit	2,000,000
Excess Liability Aggregate Limit	2,000,000
Fire Damage Limit (any one fire)	500,000
Medical Expense (per person/accident)	5,000
Medical Expense (each accident)	5,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

There has been no significant decrease in coverage from the prior fiscal year.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 9 - RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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. Each fiscal year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

C. Medical

The School District provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a self-insured program. Claims are paid by the School District to the South Central Ohio Insurance Consortium (SCOIC) (Note 16). SCOIC contracts with Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) for claims servicing. OME-RESA contracts with Employee Benefits Management Corporation to service the claims of SCOIC members. The School District's self-insured program covers claims up to \$400,000 per individual. The School District also had a stop loss coverage insurance policy through OME-RESA which covered individual claims in excess of \$400,000 per employee per year for medical claims. The School District had shared risk pool coverage with OME-RESA which covered individual claims in excess of \$50,000 up to \$400,000 per employee per year for medical claims.

The claims liability of \$335,852, reported in the General Fund at June 30, 2009, is based on an estimate provided by an actuary for medical, surgical and prescription drug claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years, including medical, surgical, and prescription drug, are as follows:

	Beginning of Year	Current Year Claims	Claims Payments	End of Year
2008	\$0	\$2,185,473	\$1,929,975	\$255,498
2009	255,498	1,162,153	1,081,799	335,852

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$77,876, \$79,374 and \$117,669, respectively; 50.22 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$387,274, \$379,964, and \$416,329, respectively; 83.72 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$291 made by the School District and \$2,771 made by the plan members.

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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$54,664, \$51,043, and \$64,000, respectively; 50.22 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6,425, \$5,719, and \$8,001, respectively; 50.22 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$29,790, \$29,228, and \$32,025, respectively; 83.72 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. The classified employees working 12 months of the year earn 10 to 20 days of vacation per fiscal year, depending upon length of service. The Superintendent and Treasurer earn 30 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, except the Superintendent, who may accumulate unlimited days, and Treasurer who may accrue up to 240 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 35 days for all personnel, except the Superintendent who will be paid at 25 percent of accrued but unused sick leave up to a maximum payment of 100 days.

B. Insurance Benefits

The School District has elected to provide dental insurance through Coresource, Inc. The School District provides vision insurance to all employees through Vision Service Plan. The cost of dental and vision premiums is completely paid by the School District.

C. Retirement Incentive

An employee who retired between July 1, 2006, and June 30, 2009, will receive a retirement incentive bonus using the following formula:

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 12 - EMPLOYEE BENEFITS (continued)

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. Effective June 30, 2009, this incentive applies to only those employees who retire with less than 31 years of service credit under either STRS or SERS.
3. The employee must give the Board of Education a minimum of 90 days written notice of his/her intent to retire.
4. 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 fiscal years of service.
5. Compensation upon which the bonus is calculated includes all payments made to the employee from whichever retirement that has been withheld.

The retirement incentive bonus is paid within 30 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.

During the fiscal year, the School District paid \$17,288 in retirement incentive bonuses. There was no liability for the retirement incentive bonus at fiscal year-end.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Amount Outstanding 6/30/08	Additions	Deductions	Amount Outstanding 6/30/09	Amounts Due in One Year
<u>Governmental Activities:</u>					
2006 School Improvement					
Refunding Bonds:					
Serial Bonds 3.50% to 3.75%	\$565,000	\$0	\$100,000	\$465,000	\$100,000
Term Bonds 4%	1,240,000	0	0	1,240,000	0
Capital Appreciation Bonds 11.27%	174,999	0	0	174,999	0
Accretion on Capital Appreciation Bonds	52,930	26,069	0	78,999	0
Premium on Debt Issuance	140,065	0	10,375	129,690	0
Deferred Gain on Refunding	(89,246)	0	(6,611)	(82,635)	0
Compensated Absences	474,177	34,040	72,745	435,472	47,154
Total Governmental Activities					
Long-Term Obligations	<u>\$2,557,925</u>	<u>\$60,109</u>	<u>\$176,509</u>	<u>\$2,441,525</u>	<u>\$147,154</u>

School Improvement Refunding Bonds 2006

On February 1, 2006, the School District issued \$2,179,999 in general obligation bonds for the purpose of advance refunding the 1999 School Improvement Bonds. Of these bonds, \$765,000 were serial bonds, \$1,240,000 were term bonds and \$174,999 were capital appreciation bonds. The bonds were issued for a 16 year period, with final maturity in December 2021. The bonds will be retired from the Debt Service Fund.

The serial bonds maturing after December 1, 2016 are subject to optional redemption, in whole or in part on any date in any order of maturity on or after December 1, 2015 at par, which is 100 percent of the face value of the bonds.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

The term bonds issued at \$1,240,000 and maturing on December 1, 2016 through December 1, 2021, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$170,000
2018	180,000
2019	190,000
2020	220,000
2021	235,000
2022	245,000
Total	<u><u>\$1,240,000</u></u>

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal years 2014 through 2016. The maturity amount of the capital appreciation bonds will be \$145,000 in 2014, \$155,000 in 2015, and \$160,000 in 2016. For fiscal year 2009, the capital appreciation bonds were accreted \$26,069.

The School District defeased the 1999 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2009, \$1,879,999 of the bonds were unmatured and unpaid.

The general obligation bonds will be paid from property tax revenues received in the Debt Service Fund. Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$4,849,370 with an unvoted debt margin of \$68,286 at June 30, 2009.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2009, are as follows:

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

School Improvement Refunding Bonds 2006							
Fiscal Year	Serial	Serial	Term	Term	Capital	Capital	
Ending	Bonds	Bonds	Bonds	Bonds	Appreciation	Appreciation	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Total
2010	\$100,000	\$15,150	\$0	\$49,600	\$0	\$0	\$164,750
2011	115,000	11,388	0	49,600	0	0	175,988
2012	120,000	7,125	0	49,600	0	0	176,725
2013	130,000	2,437	0	49,600	0	0	182,037
2014	0	0	0	49,600	61,534	83,466	194,600
2015-2019	0	0	540,000	216,400	113,465	201,535	1,071,400
2020-2022	0	0	700,000	43,000	0	0	743,000
Total	<u>\$465,000</u>	<u>\$36,100</u>	<u>\$1,240,000</u>	<u>\$507,400</u>	<u>\$174,999</u>	<u>\$285,001</u>	<u>\$2,708,500</u>

NOTE 14 - INTERFUND ACTIVITY

Advances To/From Other Funds

As of June 30, 2009, receivables and payables that resulted from various long-term advances were as follows:

Advances To	All Other Governmental Funds	Advances From General Fund
		<u>\$47,000</u>

The amounts advanced from the General Fund are the result of the School District moving unrestricted balances to support the food services program. The General Fund will be reimbursed when funds become available in the Food Service Fund (All Other Governmental Funds), which is expected to be greater than one year.

NOTE 15 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 15 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2008	(\$587,175)	\$0
Current Fiscal Year Set-aside Requirement	138,963	138,963
Current Fiscal Year Offsets	0	(119,693)
Qualifying Disbursements	(100,078)	(19,270)
Totals	<u>(548,290)</u>	<u>0</u>
Set-aside Balance Carried		
Forward to Future Fiscal Years	<u>(\$548,290)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2009	<u>\$0</u>	<u>\$0</u>

Amounts of offsets and qualifying disbursements presented in the table for capital improvements were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements for capital improvements during the fiscal year, this extra amount may not be used to reduce the set-aside requirements of future fiscal years.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

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 Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, 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 county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$99,790 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. 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 possesses its own budgetary and taxing authority. Great Oaks offers career technical programs to high school juniors and seniors of the School District. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, Ohio, 45241-1581.

NOTE 17 – POOLS

A. 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 Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. South Central Ohio Insurance Consortium

The School District is a member of the South Central Ohio Insurance Consortium (SCOIC), a self-funded health insurance program. The SCOIC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. Members include the following school districts and governmental entities: Amanda Clearcreek Local School District, Berne Union Local School District, Bloom-Carroll Local School District, Canal Winchester Local School District, Fairfield Local School District, Fairfield Union Local School District, Lancaster City School District, Fairfield County Board of Mental Retardation, City of Lancaster, Liberty Union-Thurston Local School District, Miami Trace Local School District, and Washington Court House City Schools. The Liberty Union-Thurston Local School District serves as the fiscal agent for the SCOIC.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 17 – POOLS (continued)

SCOIC contracts with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool, comprised of 75 members, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$50,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible limit and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plans participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life. In the event that the School District would withdraw from SCOIC, the School District would be required to give a 180 day notice prior to the end of their three year contract, be responsible for all run-out claims, and would have no rights to share in any surplus funds of SCOIC. In the event SCOIC members would withdraw from OME-RESA, SCOIC members would be required to give a 30 day notice, be responsible for all run-out claims, and have no rights to share in any surplus funds of OME-RESA. To obtain financial information for the SCOIC, write to the fiscal agent, Liberty Union-Thurston Local School District, 600 Washington Street, Baltimore, Ohio 43105.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 18 - 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, 2009.

B. Litigation

The School District is of the opinion that the ultimate disposition of any legal proceedings will not have a material effect, if any, on the financial condition of the School District.



Mary Taylor, CPA

Auditor of State

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

Fairfield Local School District
Highland County
11611 State Route 771
Leesburg, Ohio 45135

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfield Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

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

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated January 13, 2010.

We intend this report solely for the information and use of the audit committee, management, board of education. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

January 13, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Fairfield Local School District
Highland County
11611 State Route 771
Leesburg, Ohio 45135

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on March 19, 2007.
2. We read the policy, except as noted, it included the following requirements, from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident; The District did not include this requirement in the policy.

The policy has a requirement that parents or guardians be notified; however it does not mention that they have access to any written reports pertaining to the prohibited incident. The District does have a Public's Right to Know policy in place that could permit access.

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) The policy does not state a strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

January 13, 2010



Mary Taylor, CPA
Auditor of State

FAIRFIELD LOCAL 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 2, 2010