



Dave Yost • Auditor of State



**FAIRFIELD LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

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# Dave Yost • 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, 2012, 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, 2012, 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 March 1, 2013, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 1, 2013

***Fairfield Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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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, 2012. 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, 2012, by \$14,776,043.

In total, governmental net assets decreased \$136,369 during fiscal year 2012.

General revenues of the governmental activities accounted for \$6,734,922. Program specific revenues in the form of charges for services and sales and operating grants, contributions and interest accounted for \$1,959,889 of total revenues of \$8,649,811.

The School District had \$8,831,180 in expenses related to governmental activities; \$1,959,889 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, the Debt Service Fund, and the Permanent Improvement 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 fiscal year 2012. 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. 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, 2012  
Unaudited

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal years 2012 and 2011:

(Table 1)  
**Net Assets**

	Governmental Activities		Change
	2012	2011	
Assets			
Current and Other Assets	\$5,069,685	\$4,576,807	\$492,878
Capital Assets, Net	14,455,337	14,865,819	(410,482)
Total Assets	<u>19,525,022</u>	<u>19,442,626</u>	<u>82,396</u>
Liabilities			
Other Liabilities	2,474,246	2,215,706	258,540
Long-Term Liabilities	2,274,733	2,314,508	(39,775)
Total Liabilities	<u>4,748,979</u>	<u>4,530,214</u>	<u>218,765</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	12,910,093	13,200,549	(290,456)
Restricted	948,318	1,015,930	(67,612)
Unrestricted	917,632	695,933	221,699
Total Net Assets	<u>\$14,776,043</u>	<u>\$14,912,412</u>	<u>(\$136,369)</u>

Overall, an increase of \$82,396 occurred within Total Assets when compared to the prior fiscal year. There was a large decrease in Capital Assets, Net, due to current year depreciation expense exceeding additions to assets. Current and other assets increased significantly as a result of Highland County undergoing a tax revaluation and an increase to Current Agricultural Usage Valuation (CAUV), which increased taxes receivable.

Total liabilities increased \$218,765 as a result of Highland County's revaluation and increase in CAUV, which caused deferred revenue related to taxes to increase.

Invested in Capital Assets, Net of Related Debt, decreased \$290,456 as a result of the School District making current year debt payments and current year depreciation exceeding asset additions.

Unrestricted Net Assets increased \$221,699 as a result of the revaluation and increase in CAUV.

**Fairfield Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

(Table 2)  
**Change in Net Assets**

	Governmental Activities		Change
	2012	2011	
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$746,906	\$717,616	\$29,290
Operating Grants, Contributions and Interest	1,212,983	932,883	280,100
Total Program Revenues	<u>1,959,889</u>	<u>1,650,499</u>	<u>309,390</u>
General Revenues:			
Property Taxes	1,832,807	1,638,098	194,709
Grants and Entitlements not Restricted to Specific Programs	4,827,574	5,132,056	(304,482)
Gifts and Donations	12,127	14,671	(2,544)
Interest	12,842	14,239	(1,397)
Miscellaneous	49,572	30,880	18,692
Total General Revenues	<u>6,734,922</u>	<u>6,829,944</u>	<u>(95,022)</u>
Total Revenues	<u>8,694,811</u>	<u>8,480,443</u>	<u>214,368</u>
Program Expenses:			
Instruction:			
Regular	3,973,318	3,938,301	35,017
Special	614,301	397,230	217,071
Vocational	176,510	199,324	(22,814)
Student Intervention Services	5,636	0	5,636
Support Services:			
Pupils	265,182	301,658	(36,476)
Instructional Staff	563,536	780,845	(217,309)
Board of Education	36,605	40,874	(4,269)
Administration	684,321	580,420	103,901
Fiscal	339,542	321,149	18,393
Business	168,057	24,811	143,246
Operation and Maintenance of Plant	699,950	542,815	157,135
Pupil Transportation	507,765	468,654	39,111
Central	142,906	141,136	1,770
Operation of Non-Instructional Services:			
Food Service Operations	396,848	346,939	49,909
Other	3,907	0	3,907
Extracurricular Activities	170,383	181,927	(11,544)
Interest and Fiscal Charges	82,413	93,011	(10,598)
Total Expenses	<u>8,831,180</u>	<u>8,359,094</u>	<u>472,086</u>
Change in Net Assets	(136,369)	121,349	(257,718)
Net Assets at Beginning of Year	14,912,412	14,791,063	121,349
Net Assets at End of Year	<u>\$14,776,043</u>	<u>\$14,912,412</u>	<u>(\$136,369)</u>

**Fairfield Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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Overall, revenues increased \$214,368. Operating Grants, Contributions and Interest increased \$280,100. This is mainly due to the School District receiving new grant monies in the Education Jobs Fund that it had not received in the prior fiscal year and property tax revenues increasing \$194,709 during fiscal year 2012 due to Highland County undergoing a revaluation and an increase to CAUV. However, there was a significant decrease in grants and entitlements not restricted to specific programs due to the School District not receiving the Education Stabilization Grant in fiscal year 2012.

Overall, expenses increased \$472,086. Special Instruction increased as a result of an increase in special needs students. Operations and maintenance of plant increased due to the School District completing a flooring and lighting project during fiscal year 2012. Instructional staff decreased due to the School District having four teachers retire at the end of fiscal year 2011 and replacing them with 3 entry level teachers.

### **The School District's Funds**

Information about the School District's major funds starts on page 10. The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,684,501 and expenditures of \$8,457,098.

The fund balance in the General Fund increased \$263,862. Property taxes and Tuition and fees increased by \$170,968 and \$98,926, respectively. Although expenditures did increase from the prior fiscal year, revenues still exceeded expenditures.

The fund balance in the Debt Service Fund increased \$23,315. The revenues that the School District received from property taxes and intergovernmental sources exceeded the expenditures by the School District for debt payments.

The fund balance in the Permanent Improvement Fund decreased \$25,359.

### **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 \$547,692 more than the final budgeted amount for the General Fund. Final budgeted expenditures were \$544,692 more than actual expenditures. Original budgeted appropriations were \$1,417,938 less than final budgeted expenditures. This was primarily due to an increase in regular instruction of \$315,418. Original budgeted revenues were \$1,645,097 less than final budgeted revenues primarily as a result of the School District conservatively estimating property tax revenue on the Original Amended Certificate. The property tax revenue was adjusted on the second Amended Certificate.

***Fairfield Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited

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**Capital Assets**

At the end of fiscal year 2012, the School District had \$14,455,337 invested in capital assets (net of accumulated depreciation), a decrease of \$410,482. Additions to capital assets included various educational and maintenance equipment, a new bus and van, and new vinyl flooring. Disposals for the fiscal year included computer related items, a truck and van, and various educational equipment. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

**Debt**

At June 30, 2012, the School District had outstanding general obligation refunding bonds in the amount of \$1,544,999, for the purpose of advance refunding the 1999 School Improvement Bonds. Of these bonds, \$130,000 are serial bonds, \$1,240,000 are term bonds, and \$174,999 are 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. For further information regarding the School District's long-term obligations, 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.

*Fairfield Local School District*

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,047,846
Materials and Supplies Inventory	1,254
Inventory Held for Resale	3,466
Intergovernmental Receivable	23,453
Taxes Receivable	1,958,148
Deferred Charges	35,518
Capital Assets:	
Land	399,200
Depreciable Capital Assets, Net	<u>14,056,137</u>
Total Assets	<u>19,525,022</u>
<b>Liabilities</b>	
Accounts Payable	50,938
Accrued Wages and Benefits Payable	450,178
Intergovernmental Payable	180,303
Deferred Revenue	1,788,439
Accrued Interest Payable	4,388
Long-Term Liabilities:	
Due Within One Year	180,994
Due in More Than One Year	<u>2,093,739</u>
Total Liabilities	<u>4,748,979</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	12,910,093
Restricted for:	
Debt Service	646,455
Other Purposes	65,497
Capital Outlay	236,366
Unrestricted	<u>917,632</u>
Total Net Assets	<u><u>\$14,776,043</u></u>

See Accompanying Notes to the Basic Financial Statements

**Fairfield Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$3,973,318	\$512,107	\$91,940	(\$3,369,271)
Special	614,301	0	405,557	(208,744)
Vocational	176,510	0	51,943	(124,567)
Student Intervention Services	5,636	0	0	(5,636)
Support Services:				
Pupils	265,182	0	44,093	(221,089)
Instructional Staff	563,536	0	252,916	(310,620)
Board of Education	36,605	0	0	(36,605)
Administration	684,321	0	137,790	(546,531)
Fiscal	339,542	0	0	(339,542)
Business	168,057	0	0	(168,057)
Operation and Maintenance of Plant	699,950	2,763	0	(697,187)
Pupil Transportation	507,765	0	14,781	(492,984)
Central	142,906	0	0	(142,906)
Operation of Non-Instructional Services:				
Food Service Operations	396,848	158,065	208,019	(30,764)
Other	3,907	0	0	(3,907)
Extracurricular Activities	170,383	73,971	5,944	(90,468)
Interest and Fiscal Charges	82,413	0	0	(82,413)
<b>Total Governmental Activities</b>	<b>\$8,831,180</b>	<b>\$746,906</b>	<b>\$1,212,983</b>	<b>(6,871,291)</b>
General Revenues:				
Property Taxes Levied for:				
General Purposes				
				1,353,462
Debt Service				
				171,683
Classroom Facilities Maintenance				
				27,561
Permanent Improvement				
				280,101
Grants and Entitlements not				
Restricted to Specific Programs				
				4,827,574
Gifts and Donations				
				12,127
Interest				
				12,842
Miscellaneous				
				49,572
<b>Total General Revenues</b>				<b>6,734,922</b>
Change in Net Assets				(136,369)
Net Assets at Beginning of Year				14,912,412
Net Assets at End of Year				<b>\$14,776,043</b>

See Accompanying Notes to the Basic Financial Statements

*Fairfield Local School District*

Balance Sheet  
Governmental Funds  
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,057,403	\$634,850	\$221,378	\$134,215	\$3,047,846
Materials and Supplies Inventory	0	0	0	1,254	1,254
Inventory Held for Resale	0	0	0	3,466	3,466
Receivables:					
Taxes Receivable	1,445,109	183,992	300,335	28,712	1,958,148
Intergovernmental	13,269	0	0	10,184	23,453
Total Assets	<u>\$3,515,781</u>	<u>\$818,842</u>	<u>\$521,713</u>	<u>\$177,831</u>	<u>\$5,034,167</u>
<b>Liabilities</b>					
Accounts Payable	\$34,485	\$0	\$8,624	\$7,829	\$50,938
Accrued Wages and Benefits Payable	421,541	0	1,197	27,440	450,178
Intergovernmental Payable	168,922	0	1,309	10,072	180,303
Deferred Revenue	1,400,761	178,298	291,071	27,805	1,897,935
Total Liabilities	<u>2,025,709</u>	<u>178,298</u>	<u>302,201</u>	<u>73,146</u>	<u>2,579,354</u>
<b>Fund Balances</b>					
Nonspendable	0	0	0	1,254	1,254
Restricted	0	640,544	219,512	103,431	963,487
Assigned	107,335	0	0	0	107,335
Unassigned	1,382,737	0	0	0	1,382,737
Total Fund Balances	<u>1,490,072</u>	<u>640,544</u>	<u>219,512</u>	<u>104,685</u>	<u>2,454,813</u>
Total Liabilities and Fund Balances	<u>\$3,515,781</u>	<u>\$818,842</u>	<u>\$521,713</u>	<u>\$177,831</u>	<u>\$5,034,167</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, 2012

**Total Governmental Fund Balances** \$2,454,813

**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	23,247,477	
Accumulated depreciation	(8,792,140)	
Total capital assets	14,455,337	14,455,337

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		109,496
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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.

35,518

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(4,388)

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	(1,544,999)	
Accretion on capital appreciation bonds	(176,501)	
Premium on debt issuance	(98,565)	
Deferred loss on refunding	62,802	
Compensated absences	(517,470)	
	(2,274,733)	(2,274,733)

**Net Assets of Governmental Activities** \$14,776,043

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, 2012

	General	Debt Service	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$1,345,845	\$170,742	\$278,507	\$27,403	\$1,822,497
Intergovernmental	5,127,235	25,383	42,008	843,875	6,038,501
Interest	12,842	0	0	171	13,013
Tuition and Fees	508,107	0	0	0	508,107
Extracurricular Activities	22,821	0	0	51,150	73,971
Customer Services	4,000	0	0	158,065	162,065
Rent	2,763	0	0	0	2,763
Gifts and Donations	12,127	0	0	1,885	14,012
Miscellaneous	42,002	0	0	7,570	49,572
<b>Total Revenues</b>	<b>7,077,742</b>	<b>196,125</b>	<b>320,515</b>	<b>1,090,119</b>	<b>8,684,501</b>
<b>Expenditures</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,610,921	0	269	101,383	3,712,573
Special	458,095	0	0	104,660	562,755
Vocational	177,980	0	0	4,000	181,980
Student Intervention Services	5,636	0	0	0	5,636
<b>Support Services:</b>					
Pupils	206,316	0	0	42,876	249,192
Instructional Staff	316,282	0	0	250,634	566,916
Board of Education	36,605	0	0	0	36,605
Administration	456,433	0	22,337	138,946	617,716
Fiscal	304,248	6,085	5,595	5,334	321,262
Business	43,517	0	124,540	0	168,057
Operation and Maintenance of Plant	541,954	0	87,531	60,304	689,789
Pupil Transportation	415,304	0	105,602	0	520,906
Central	137,034	0	0	5,448	142,482
<b>Operation of Non-Instructional Services:</b>					
Food Service Operations	0	0	0	345,827	345,827
Other	3,907	0	0	0	3,907
Extracurricular Activities	99,648	0	0	65,122	164,770
<b>Debt Service:</b>					
Principal Retirement	0	120,000	0	0	120,000
Interest and Fiscal Charges	0	46,725	0	0	46,725
<b>Total Expenditures</b>	<b>6,813,880</b>	<b>172,810</b>	<b>345,874</b>	<b>1,124,534</b>	<b>8,457,098</b>
<b>Net Change in Fund Balances</b>	<b>263,862</b>	<b>23,315</b>	<b>(25,359)</b>	<b>(34,415)</b>	<b>227,403</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,226,210</b>	<b>617,229</b>	<b>244,871</b>	<b>139,100</b>	<b>2,227,410</b>
<b>Fund Balances at End of Year</b>	<b>\$1,490,072</b>	<b>\$640,544</b>	<b>\$219,512</b>	<b>\$104,685</b>	<b>\$2,454,813</b>

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, 2012

**Net Change in Fund Balances - Total Governmental Funds** \$227,403

**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	246,708	
Depreciation expense	(646,110)	
Excess of capital outlay under depreciation expense		(399,402)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Loss on Disposal of Capital Assets		(11,080)
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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		10,310
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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 loss on refunding	(6,611)	
Amortization of bond premium	10,375	
Accretion on bonds	(36,077)	
Decrease in accrued interest on bonds	363	
	363	(35,688)

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		120,000
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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:

Increase in compensated absences		(47,912)
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**Change in Net Assets of Governmental Activities** (\$136,369)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$324,000	\$1,369,303	\$1,369,303	\$0
Intergovernmental	4,564,362	5,100,866	5,100,922	56
Interest	10,551	11,791	12,842	1,051
Tuition and Fees	454,395	507,806	508,107	301
Extracurricular Activities	20,421	22,821	22,821	0
Customer Services	3,579	4,000	4,000	0
Rent	2,472	2,763	2,763	0
Gifts and Donations	10,851	12,127	12,127	0
Miscellaneous	36,169	40,420	42,002	1,582
<b>Total Revenues</b>	<b>5,426,801</b>	<b>7,071,897</b>	<b>7,074,887</b>	<b>2,990</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,539,448	4,340,446	3,771,593	568,853
Special	385,262	472,449	463,334	9,115
Vocational	170,035	208,515	226,450	(17,935)
Student Intervention Services	4,990	6,119	5,636	483
Support Services:				
Pupils	188,268	230,874	212,270	18,604
Instructional Staff	270,167	331,307	332,921	(1,614)
Board of Education	34,033	41,735	40,984	751
Administration	391,227	479,764	471,165	8,599
Fiscal	266,117	326,341	321,019	5,322
Business	36,886	45,234	43,628	1,606
Operation and Maintenance of Plant	422,311	517,883	563,646	(45,763)
Pupil Transportation	349,206	428,234	437,706	(9,472)
Central	119,279	146,272	140,618	5,654
Operation of Non-Instructional Services:				
Other	3,091	3,791	3,842	(51)
Extracurricular Activities	85,247	104,539	103,999	540
<b>Total Expenditures</b>	<b>6,265,566</b>	<b>7,683,503</b>	<b>7,138,811</b>	<b>544,692</b>
Excess of Revenues Under Expenditures	(838,765)	(611,606)	(63,924)	547,682
<b>Other Financing Sources (Uses)</b>				
Advances In	0	22,000	22,000	0
Refund of Prior Year Expenditures	0	21,727	21,727	0
Insurance Recoveries	0	1,217	1,217	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>44,944</b>	<b>44,944</b>	<b>0</b>
Net Change in Fund Balance	(838,765)	(566,662)	(18,980)	547,682
Fund Balance at Beginning of Year	1,847,809	1,847,809	1,847,809	0
Prior Year Encumbrances Appropriated	81,783	81,783	81,783	0
<b>Fund Balance at End of Year</b>	<b>\$1,090,827</b>	<b>\$1,362,930</b>	<b>\$1,910,612</b>	<b>\$547,682</b>

See Accompanying Notes to the Basic Financial Statements

**Fairfield Local School District**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$44,992	\$44,891
<b>Liabilities</b>		
Undistributed Monies	0	\$44,891
<b>Net Assets</b>		
Held in Trust for Scholarships	\$44,992	

See Accompanying Notes to the Basic Financial Statements

***Fairfield Local School District***  
Statement of Changes in Fiduciary Net Assets  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2012

	<b>Scholarship</b>
<b>Additions</b>	
Gifts and Contributions	\$365
Interest	222
	587
Total Additions	587
<b>Deductions</b>	0
Change in Net Assets	587
Net Assets at Beginning of Year	44,405
Net Assets at End of Year	\$44,992

See Accompanying Notes to the Basic Financial Statements

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*Fairfield Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

Fairfield Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and 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, 58 certificated teaching personnel, and seven administrative employees who provide services to 945 students and other community members. The School District currently operates one instructional building and one bus garage.

*Reporting Entity*

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure 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 one insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Great Oaks Institute of Technology and Career Development, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 of the basic financial statements.

**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.

**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 government-wide 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, 2012

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**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.

**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 typically 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 and report 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 and report 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.

*Permanent Improvement Fund* - The Permanent Improvement Fund is used to account for and report the financing and acquisition or construction of major capital facilities, such as new school buildings or additions to existing buildings.

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

**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.

**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.

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

**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 and grants 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, 2012

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**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, 2012, but which were levied to finance fiscal year 2013 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.

**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.

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 2012 amounted to \$12,842, which includes \$4,549 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 equivalents.

**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.

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

**Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds/Loss on Refunding**

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 fiscal 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.

The accounting loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore, does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element prevents one classification from being overstated while another is understated by the same amount.

**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.

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:

**Fairfield Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

<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

**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.

**Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental 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.

*Fairfield Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

**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.

**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.

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.

**Estimates**

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

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

**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, all of 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. Any budgetary modifications at this level may only be made by resolution of the Board of Education. 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.

**Fund Balance**

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

*Nonspendable*

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Restricted*

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



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

*Committed*

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

*Assigned*

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

*Unassigned*

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

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

**Fairfield Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**NOTE 3 - FUND BALANCES**

Fund balance is classified as nonspendable, restricted, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Permanent Improvement	All Other Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Inventory	\$0	\$0	\$0	\$1,254	\$1,254
<b><i>Restricted for</i></b>					
Debt Payments	0	640,544	0	0	640,544
Food Service Operations	0	0	0	43,720	43,720
Scholarships	0	0	0	30,191	30,191
Miscellaneous Grants	0	0	0	2,824	2,824
District Managed Activity	0	0	0	14,458	14,458
Capital Maintenance	0	0	0	12,238	12,238
Capital Improvements	0	0	219,512	0	219,512
<b><i>Total Restricted</i></b>	<b>0</b>	<b>640,544</b>	<b>219,512</b>	<b>103,431</b>	<b>963,487</b>
<b><i>Assigned to</i></b>					
Other Purposes	107,335	0	0	0	107,335
<b><i>Unassigned</i></b>	<b>1,382,737</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,382,737</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,490,072</b>	<b>\$640,544</b>	<b>\$219,512</b>	<b>\$104,685</b>	<b>\$2,454,813</b>

**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:

*Fairfield Local School District*  
Notes to the Basic Financial Statements  
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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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 restricted, committed, or assigned 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	\$263,862
Adjustments:	
Revenue Accruals	20,089
Expenditure Accruals	(178,140)
Encumbrances	(146,791)
Advances	22,000
Budget Basis	<u><u>(\$18,980)</u></u>

**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.

*Fairfield Local School District*  
Notes to the Basic Financial Statements  
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**NOTE 5 - DEPOSITS AND INVESTMENTS** *(continued)*

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

**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 collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

*Fairfield Local School District*  
Notes to the Basic Financial Statements  
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**NOTE 6 - PROPERTY TAXES** *(continued)*

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Highland and Clinton Counties. The 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2012, 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 reflected 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.

**Fairfield Local School District**  
Notes to the Basic Financial Statements  
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**NOTE 6 - PROPERTY TAXES** (continued)

The amount available as an advance at June 30, 2012, was \$44,348 in the General Fund, \$5,694 in the Debt Service Fund, \$9,264 in the Permanent Improvement Capital Projects Fund, and \$907 in the Classroom Facilities Maintenance Special Revenue Fund (All Other Governmental Funds). The amount available as an advance at June 30, 2011, was \$67,807 in the General Fund, \$8,486 in the Debt Service Fund, \$14,160 in the Permanent Improvement Capital Projects Fund, and \$1,401 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 2012 taxes were collected are:

	2011 Second - Half Collections		2012 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$72,793,820	97.31%	\$73,174,280	97.27%
Public Utility Personal	2,015,280	2.69%	2,051,970	2.73%
Total Assessed Value	\$74,809,100	100.00%	\$75,226,250	100.00%
Tax rate per \$1,000 of assessed valuation	\$34.09		\$34.09	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012, consisted of property taxes and intergovernmental. 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. A listing of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
State Teacher's Retirement System Overfunding	\$13,269
Title I Grant	10,184
Total Intergovernmental Receivable	\$23,453

**Fairfield Local School District**  
Notes to the Basic Financial Statements  
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**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance at</u> <u>6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/12</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$399,200	\$0	\$0	\$399,200
Capital Assets Being Depreciated:				
Land Improvements	689,256	0	0	689,256
Buildings and Improvements	18,328,178	23,826	0	18,352,004
Furniture, Fixtures and Equipment	1,965,216	103,879	(13,892)	2,055,203
Vehicles	693,386	119,003	(31,450)	780,939
Textbooks	970,875	0	0	970,875
Totals Capital Assets Being Depreciated	<u>22,646,911</u>	<u>246,708</u>	<u>(45,342)</u>	<u>22,848,277</u>
Less Accumulated Depreciation:				
Land Improvements	(394,640)	(39,548)	0	(434,188)
Buildings and Improvements	(4,857,491)	(462,892)	0	(5,320,383)
Furniture, Fixtures and Equipment	(1,443,515)	(99,113)	8,997	(1,533,631)
Vehicles	(513,771)	(44,557)	25,265	(533,063)
Textbooks	(970,875)	0	0	(970,875)
Total Accumulated Depreciation	<u>(8,180,292)</u>	<u>(646,110) *</u>	<u>34,262</u>	<u>(8,792,140)</u>
Total Capital Assets Being Depreciated, Net	<u>14,466,619</u>	<u>(399,402)</u>	<u>(11,080)</u>	<u>14,056,137</u>
Governmental Activities Capital Assets, Net	<u>\$14,865,819</u>	<u>(\$399,402)</u>	<u>(\$11,080)</u>	<u>\$14,455,337</u>

*Fairfield Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**NOTE 8 - CAPITAL ASSETS** (continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$240,464
Special	30,239
Vocational	23,505
Support Services:	
Pupils	14,421
Instructional Staff	74,199
Administration	54,584
Fiscal	15,137
Operation and Maintenance of Plant	56,589
Pupil Transportation	79,145
Central	424
Operation of Non-Instructional Services -	
Food Service Operations	49,258
Extracurricular Activities	8,145
Total Depreciation Expense	<u><u>\$646,110</u></u>

**NOTE 9 - RISK MANAGEMENT**

**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 2012, the School District contracted with Phelan Insurance Agency for property insurance coverage.

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.

**Workers' Compensation**

For fiscal year 2012, 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 CompManagement Inc. 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.



**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$148,619, \$110,000, and \$86,620, respectively. For fiscal year 2012, 93.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**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 system. 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

*Fairfield Local School District*  
Notes to the Basic Financial Statements  
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**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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$406,405, \$406,592, and \$386,702, respectively. For fiscal year 2012, 82.61 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 was \$5,733 made by the School District and \$4,095 made by the plan members.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** *(continued)*

**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, 2012, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 obligation 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 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 fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$15,140 in surcharge.

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, 2012, 2011, and 2010, were \$21,576, \$31,950, and \$12,834, respectively. For fiscal year 2012, 93.81 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

*Fairfield Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, 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, 2012, 2011, and 2010, were \$8,777, \$7,079, and \$6,425, respectively. For fiscal year 2012, 93.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$31,262 \$31,276, and \$29,746, respectively; 82.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2011 and 2010.

**NOTE 12 - EMPLOYEE BENEFITS**

**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.

*Fairfield Local School District*  
Notes to the Basic Financial Statements  
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**NOTE 12 - EMPLOYEE BENEFITS** *(continued)*

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.

**Insurance Benefits**

For fiscal year 2012, medical/surgical and prescription drug insurance is offered to employees through Anthem Blue Cross and Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with the employee, depending on the terms of the contract.

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.

**Retirement Incentive**

An employee, covered by the master contract, who retires between July 1, 2011, and June 30, 2014, 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.

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, 2011, 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.

**Fairfield Local School District**  
Notes to the Basic Financial Statements  
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**NOTE 12 - EMPLOYEE BENEFITS** (continued)

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.

One employee accepted the retirement incentive bonus during fiscal year 2012 and was paid prior to June 30.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deductions	Amount Outstanding 6/30/12	Amounts Due in One Year
<u>Governmental Activities:</u>					
2006 School Improvement					
Refunding Bonds:					
Serial Bonds 3.50% to 3.75%	\$250,000	\$0	\$120,000	\$130,000	\$130,000
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	140,424	36,077	0	176,501	0
Premium on Debt Issuance	108,940	0	10,375	98,565	0
Deferred Loss on Refunding	(69,413)	0	(6,611)	(62,802)	0
Compensated Absences	469,558	79,622	31,710	517,470	50,994
Total Governmental Activities					
Long-Term Obligations	<u>\$2,314,508</u>	<u>\$115,699</u>	<u>\$155,474</u>	<u>\$2,274,733</u>	<u>\$180,994</u>

**School Improvement Refunding Bonds 2006**

On February 1, 2006, the School District issued \$2,179,999 in general obligation refunding bonds for the purpose of advance refunding the 1999 School Improvement Bonds. Of these bonds, \$765,000 are serial bonds, \$1,240,000 are term bonds, and \$174,999 are 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 will mature December 1, 2012.

**Fairfield Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**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>\$1,240,000</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 2012, the capital appreciation bonds were accreted \$36,077.

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, 2012, \$1,790,000 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 and the Food Service, Title I, and Title II-A Special Revenue Funds.

The School District's overall legal debt margin was \$4,584,820, with an unvoted debt margin of \$75,226 at June 30, 2012.

**Fairfield Local School District**  
Notes to the Basic Financial Statements  
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**NOTE 13 - LONG-TERM OBLIGATIONS** *(continued)*

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012, are as follows:

School Improvement Refunding Bonds 2006							
Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
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	0	0	0	49,600	58,934	96,066	204,600
2016	0	0	0	49,600	54,531	105,469	209,600
2017	0	0	170,000	46,200	0	0	216,200
2018-2022	0	0	1,070,000	114,000	0	0	1,184,000
Total	\$130,000	\$2,437	\$1,240,000	\$358,600	\$174,999	\$285,001	\$2,191,037

**NOTE 14 - SET-ASIDES**

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 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 capital acquisitions. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2011	\$0
Current Fiscal Year Set-aside Requirement	158,788
Current Fiscal Year Offsets	(132,304)
Qualifying Disbursements	(26,484)
Total	\$0
Required set-aside Balance as of June 30, 2012	\$0



*Fairfield Local School District*  
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**NOTE 14 - SET-ASIDES** *(continued)*

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year. In previous fiscal years, the School District was required to have a textbook requirement. Effective July 1, 2011, House Bill 30 of the 129th General Assembly repealed the textbook requirement.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**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 \$100,612 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.

**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 16 – INSURANCE PURCHASING POOL**

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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the 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.

**NOTE 17 - CONTINGENCIES**

**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, 2012.

**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.

**NOTE 18 - SUBSEQUENT EVENT**

Effective July 1, 2012, the School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association. SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. SCOCACoG 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.

**FAIRFIELD LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
National School Breakfast Program	3L70	10.553	\$47,532		\$47,532	
National School Lunch Program	3L60	10.555	143,655	13,251	143,655	13,251
Total Nutrition Cluster			<u>191,187</u>	<u>13,251</u>	<u>191,187</u>	<u>13,251</u>
<i>Passed Through National Future Farmers of America</i>						
Vo-Ag Living to Serve Grant	2012	10.500	3,000		3,502	
Total U.S. Department of Agriculture			<u>194,187</u>	<u>13,251</u>	<u>194,689</u>	<u>13,251</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
IDEA Part B	3M20	84.027	162,436		162,436	
Early Childhood	3C50	84.173	<u>1,203</u>		<u>1,203</u>	
Total Special Education Cluster			163,639		163,639	
Title I Cluster:						
ESEA Title I	3M00	84.010	<u>138,584</u>		<u>142,881</u>	
Total Title I Cluster			138,584		142,881	
Ed Jobs	3ET0	84.410	275,581		275,581	
Title II-D Technology	3S20	84.318	1,059			
Improving Teacher Quality	3Y60	84.367	28,497		28,497	
<i>Passed through Great Oaks Institute of Technology and Career Development</i>						
Vocational Education Basic Grants to States						
Career Education		84.048	2,585		3,773	
Total U.S. Department of Education			<u>609,945</u>		<u>614,371</u>	
<b>Total</b>			<u><u>\$804,132</u></u>	<u><u>\$13,251</u></u>	<u><u>\$809,060</u></u>	<u><u>\$13,251</u></u>

*The accompanying notes are an integral part of this schedule.*

**FAIRFIELD LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Fairfield Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2013. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider 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 intend this report solely for the information and use of management, the audit committee, board of education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 1, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Fairfield Local School District, Highland County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Fairfield Local School District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Fairfield Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We intend this report solely for the information and use of the audit committee, management, board of education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 1, 2013



**FAIRFIELD LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Ed Jobs CFDA #84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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**FAIRFIELD LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Finding for Recovery – Repaid Under Audit for public monies illegally expended.	Yes	
2011-02	OMB Circular A-133 Subpart C Section .310(b) and .300 Schedule of Federal Awards Receipts and Expenditures was not complete.	Yes	

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# Dave Yost • 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  
MARCH 19, 2013