



Dave Yost • Auditor of State



**FAIRFIELD LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfield Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2013, and the respective changes in financial position and the budgetary comparisons for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2014

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***Fairfield Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
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, 2013. 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, 2013 by \$14,442,926.

In total, governmental net position decreased \$333,117 during fiscal year 2013.

General revenues of the governmental activities accounted for \$6,998,390. Program specific revenues in the form of charges for services and sales and operating grants, contributions and interest accounted for \$1,761,459 of total revenues of \$8,759,849.

The School District had \$9,092,966 in expenses related to governmental activities; \$1,761,459 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 Position 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 Position 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 2013. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**Fairfield Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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These two statements report net position and changes in net position. This change in net position 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 Position 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, 2013  
Unaudited

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal years 2013 and 2012:

(Table 1)  
**Net Position**

	Governmental Activities		Change
	2013	2012	
Assets:			
Current and Other Assets	\$4,839,527	\$5,069,685	(\$230,158)
Capital Assets, Net	13,928,679	14,455,337	(526,658)
Total Assets	<u>18,768,206</u>	<u>19,525,022</u>	<u>(756,816)</u>
Deferred Outflows of Resources	<u>56,191</u>	<u>62,802</u>	<u>(6,611)</u>
Liabilities:			
Other Liabilities	806,953	685,807	121,146
Long-Term Liabilities	2,199,083	2,337,535	(138,452)
Total Liabilities	<u>3,006,036</u>	<u>3,023,342</u>	<u>(17,306)</u>
Deferred Inflows of Resources	<u>1,375,435</u>	<u>1,788,439</u>	<u>(413,004)</u>
Net Assets:			
Net Invested in Capital Assets	12,481,681	12,910,093	(428,412)
Restricted	1,002,162	948,318	53,844
Unrestricted	959,083	917,632	41,451
Total Net Position	<u>\$14,442,926</u>	<u>\$14,776,043</u>	<u>(\$333,117)</u>

Overall, a decrease of \$756,816 occurred within total assets when compared to the prior fiscal year. There was a large decrease in Capital Assets, Net due to additions to assets not exceeding annual depreciation. Current and other assets decreased significantly as a result of Highland County overestimating property tax revenue in the prior year, the estimate was reduced in fiscal year 2013 causing a reduction in property taxes receivable.

Total deferred inflows of resources decreased \$413,004 as a result of Highland County's overestimation of property tax revenue in the prior fiscal year.

Net investment in capital assets decreased \$428,412 as a result of the School District making current year debt payments and current year depreciation exceeding asset additions.

**Fairfield Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

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

	Governmental Activities		Change
	2013	2012	
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$792,775	\$746,906	\$45,869
Operating Grants, Contributions and Interest	968,684	1,212,983	(244,299)
Total Program Revenues	<u>1,761,459</u>	<u>1,959,889</u>	<u>(198,430)</u>
General Revenues:			
Property Taxes	1,829,214	1,832,807	(3,593)
Grants and Entitlements not Restricted to Specific Programs	5,115,869	4,827,574	288,295
Gifts and Donations	0	12,127	(12,127)
Interest	10,209	12,842	(2,633)
Miscellaneous	43,098	49,572	(6,474)
Total General Revenues	<u>6,998,390</u>	<u>6,734,922</u>	<u>263,468</u>
Total Revenues	<u>8,759,849</u>	<u>8,694,811</u>	<u>65,038</u>
Program Expenses:			
Instruction:			
Regular	4,103,208	3,973,318	129,890
Special	593,464	614,301	(20,837)
Vocational	155,287	176,510	(21,223)
Student Intervention Services	4,840	5,636	(796)
Support Services:			
Pupils	289,992	265,182	24,810
Instructional Staff	701,700	563,536	138,164
Board of Education	50,736	36,605	14,131
Administration	671,693	684,321	(12,628)
Fiscal	344,933	339,542	5,391
Business	183,396	168,057	15,339
Operation and Maintenance of Plant	674,719	699,950	(25,231)
Pupil Transportation	521,800	507,765	14,035
Central	100,789	142,906	(42,117)
Operation of Non-Instructional Services:			
Food Service Operations	386,934	396,848	(9,914)
Other	3,658	3,907	(249)
Extracurricular Activities	168,767	170,383	(1,616)
Interest and Fiscal Charges	137,050	82,413	54,637
Total Expenses	<u>9,092,966</u>	<u>8,831,180</u>	<u>261,786</u>
Change in Net Position	<u>(333,117)</u>	<u>(136,369)</u>	<u>(196,748)</u>
Net Position at Beginning of Year	<u>14,776,043</u>	<u>14,912,412</u>	<u>(136,369)</u>
Net Position at End of Year	<u>\$14,442,926</u>	<u>\$14,776,043</u>	<u>(\$333,117)</u>

**Fairfield Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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Overall, revenues increased \$65,038. Grants and entitlements not restricted to specific programs increased \$288,295. This is mainly due to an increase in state funding and open enrollment. However, there was a significant decrease in Operating Grants, Contributions, and Interest due to the School District not receiving the Education Jobs Grant in fiscal year 2013.

Overall, expenses increased \$261,786. Regular instruction and instructional staff increased due to increased teacher salaries and benefits, additional assistance for business lab and an increase in the purchase of instructional supplies compared to the prior fiscal year.

### **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 \$8,731,374 and expenditures of \$8,649,576.

The fund balance in the General Fund increased \$64,328. Intergovernmental and tuition and fees increased by \$260,154 and \$37,859, respectively. Although expenditures did increase from the prior fiscal year, revenues still exceeded expenditures.

The fund balance in the Debt Service Fund increased \$7,976. 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 \$21,658.

### **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 \$61,946 more than the final budgeted amount for the General Fund. Final budgeted expenditures were \$55,283 more than actual expenditures. Original budgeted appropriations were \$863,996 less than final budgeted expenditures. This was primarily due to an increase in regular instruction of \$439,257. Original budgeted revenues were \$460,192 less than final budgeted revenues primarily as a result of the School District conservatively estimating intergovernmental revenue on the Original Amended Certificate. The intergovernmental revenue was adjusted on the second Amended Certificate.

***Fairfield Local School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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**Capital Assets**

At the end of fiscal year 2013, the School District had \$13,928,679 invested in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks. Net capital assets decreased \$526,658 from the prior fiscal year. This was due to depreciation expense for the current fiscal year being significantly larger than additions. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

**Debt**

At June 30, 2013, the School District had outstanding general obligation bonds in the amount of \$1,414,999, for the purpose of advance refunding the 1999 School Improvement Bonds. Of these 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 14 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 Position

June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,227,174
Materials and Supplies Inventory	766
Inventory Held for Resale	2,148
Intergovernmental Receivable	31,900
Taxes Receivable	1,577,539
Capital Assets:	
Land	399,200
Depreciable Capital Assets, Net	<u>13,529,479</u>
Total Assets	<u>18,768,206</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>56,191</u>
<b>Liabilities</b>	
Accounts Payable	107,073
Accrued Wages and Benefits Payable	509,287
Intergovernmental Payable	149,227
Matured Compensated Absences Payable	23,923
Accrued Interest Payable	17,443
Long-Term Liabilities:	
Due Within One Year	105,834
Due in More Than One Year	<u>2,093,249</u>
Total Liabilities	<u>3,006,036</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>1,375,435</u>
<b>Net Position</b>	
Net Investment in Capital Assets	12,481,681
Restricted for:	
Debt Service	644,165
Other Purposes	147,543
Capital Outlay	210,454
Unrestricted	<u>959,083</u>
Total Net Position	<u><u>\$14,442,926</u></u>

See Accompanying Notes to the Basic Financial Statements

**Fairfield Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$4,103,208	\$545,966	\$41,647	(\$3,515,595)
Special	593,464	0	381,003	(212,461)
Vocational	155,287	0	51,943	(103,344)
Student Intervention Services	4,840	0	0	(4,840)
Support Services:				
Pupils	289,992	0	0	(289,992)
Instructional Staff	701,700	0	263,942	(437,758)
Board of Education	50,736	0	0	(50,736)
Administration	671,693	0	0	(671,693)
Fiscal	344,933	0	0	(344,933)
Business	183,396	0	0	(183,396)
Operation and Maintenance of Plant	674,719	1,159	0	(673,560)
Pupil Transportation	521,800	0	18,778	(503,022)
Central	100,789	0	0	(100,789)
Operation of Non-Instructional Services:				
Food Service Operations	386,934	149,236	201,184	(36,514)
Other	3,658	0	0	(3,658)
Extracurricular Activities	168,767	96,414	10,187	(62,166)
Interest and Fiscal Charges	137,050	0	0	(137,050)
<b>Total Governmental Activities</b>	<b>\$9,092,966</b>	<b>\$792,775</b>	<b>\$968,684</b>	<b>(7,331,507)</b>
General Revenues:				
Property Taxes Levied for:				
				1,351,394
				171,996
				27,402
				278,422
Grants and Entitlements not				
				5,115,869
				10,209
				43,098
				<b>6,998,390</b>
				(333,117)
				<b>14,776,043</b>
				<b>\$14,442,926</b>

See Accompanying Notes to the Basic Financial Statements

**Fairfield Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Debt Service	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,155,099	\$642,412	\$247,946	\$181,717	\$3,227,174
Materials and Supplies Inventory	0	0	0	766	766
Inventory Held for Resale	0	0	0	2,148	2,148
Receivables:					
Taxes Receivable	1,168,861	133,721	258,081	16,876	1,577,539
Intergovernmental	31,900	0	0	0	31,900
Total Assets	<u>\$3,355,860</u>	<u>\$776,133</u>	<u>\$506,027</u>	<u>\$201,507</u>	<u>\$4,839,527</u>
<b>Liabilities</b>					
Accounts Payable	\$47,528	\$0	\$57,024	\$2,521	\$107,073
Accrued Wages and Benefits Payable	466,680	0	1,259	41,348	509,287
Intergovernmental Payable	141,726	0	1,617	5,884	149,227
Matured Compensated Absences Payable	23,923	0	0	0	23,923
Total Liabilities	<u>679,857</u>	<u>0</u>	<u>59,900</u>	<u>49,753</u>	<u>789,510</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	1,019,892	114,525	227,172	13,846	1,375,435
Unavailable Revenue	101,711	13,088	21,101	2,071	137,971
Total Deferred Inflows of Resources	<u>1,121,603</u>	<u>127,613</u>	<u>248,273</u>	<u>15,917</u>	<u>1,513,406</u>
<b>Fund Balances</b>					
Nonspendable	0	0	0	766	766
Restricted	0	648,520	197,854	153,273	999,647
Assigned	92,786	0	0	0	92,786
Unassigned	1,461,614	0	0	(18,202)	1,443,412
Total Fund Balances	<u>1,554,400</u>	<u>648,520</u>	<u>197,854</u>	<u>135,837</u>	<u>2,536,611</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$3,355,860</u>	<u>\$776,133</u>	<u>\$506,027</u>	<u>\$201,507</u>	<u>\$4,839,527</u>

See Accompanying Notes to the Basic Financial Statements

**Fairfield Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013

**Total Governmental Fund Balances** \$2,536,611

**Amounts reported for governmental activities in the  
 Statement of Net Position 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:

Land	399,200	
Other capital assets	22,876,936	
Accumulated depreciation	(9,347,457)	
Total capital assets	13,928,679	13,928,679

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.

Delinquent Property Taxes	137,971	137,971
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In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(17,443)

Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.

56,191

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	(1,414,999)	
Accretion on capital appreciation bonds	(216,704)	
Premium on debt issuance	(88,190)	
Compensated absences	(479,190)	
	(2,199,083)	(2,199,083)

**Net Position of Governmental Activities** \$14,442,926

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, 2013

	General	Debt Service	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$1,330,372	\$169,207	\$274,175	\$26,985	\$1,800,739
Intergovernmental	5,387,389	26,539	42,746	612,989	6,069,663
Interest	10,209	0	0	136	10,345
Tuition and Fees	545,966	0	0	0	545,966
Extracurricular Activities	33,855	0	0	62,559	96,414
Customer Services	0	0	0	149,236	149,236
Rent	1,159	0	0	0	1,159
Gifts and Donations	7,067	0	0	7,687	14,754
Miscellaneous	38,978	0	0	4,120	43,098
<b>Total Revenues</b>	<b>7,354,995</b>	<b>195,746</b>	<b>316,921</b>	<b>863,712</b>	<b>8,731,374</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,801,911	0	25,856	30,295	3,858,062
Special	497,994	0	0	95,672	593,666
Vocational	149,395	0	0	4,000	153,395
Student Intervention Services	4,840	0	0	0	4,840
Support Services:					
Pupils	274,887	0	0	0	274,887
Instructional Staff	359,064	0	0	258,375	617,439
Board of Education	50,736	0	0	0	50,736
Administration	609,801	0	8,784	0	618,585
Fiscal	329,326	5,732	9,280	923	345,261
Business	50,410	0	132,986	0	183,396
Operation and Maintenance of Plant	530,179	0	79,842	24,447	634,468
Pupil Transportation	446,096	0	81,831	0	527,927
Central	100,365	0	0	0	100,365
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	338,177	338,177
Other	3,658	0	0	0	3,658
Extracurricular Activities	82,005	0	0	80,671	162,676
Debt Service:					
Principal Retirement	0	130,000	0	0	130,000
Interest and Fiscal Charges	0	52,038	0	0	52,038
<b>Total Expenditures</b>	<b>7,290,667</b>	<b>187,770</b>	<b>338,579</b>	<b>832,560</b>	<b>8,649,576</b>
<b>Net Change in Fund Balances</b>	<b>64,328</b>	<b>7,976</b>	<b>(21,658)</b>	<b>31,152</b>	<b>81,798</b>
<b>Fund Balances at Beginning 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>
<b>Fund Balances at End of Year</b>	<b>\$1,554,400</b>	<b>\$648,520</b>	<b>\$197,854</b>	<b>\$135,837</b>	<b>\$2,536,611</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, 2013

**Net Change in Fund Balances - Total Governmental Funds** \$81,798

**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	146,629	
Depreciation expense	(660,882)	
Excess of depreciation over capital outlay expense		(514,253)

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 Position 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		(12,405)
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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.

Delinquent Property Taxes		28,475
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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 loss on refunding	(6,611)	
Amortization of bond premium	10,375	
Accretion on bonds	(40,203)	
Accrued Interest on bonds	(48,573)	
		(85,012)

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 Position. In the current fiscal year, this amount consisted of:

Bond principal retirement		130,000
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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:

Decrease in compensated absences		38,280
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**Change in Net Position of Governmental Activities** (\$333,117)

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$1,569,800	\$1,327,439	\$1,327,462	\$23
Intergovernmental	4,737,192	5,365,748	5,366,837	1,089
Interest	8,498	9,625	10,209	584
Tuition and Fees	481,732	545,651	545,966	315
Extracurricular Activities	29,887	33,853	33,855	2
Rent	971	1,100	1,159	59
Gifts and Donations	6,239	7,067	7,067	0
Miscellaneous	30,359	34,387	38,978	4,591
<b>Total Revenues</b>	<b>6,864,678</b>	<b>7,324,870</b>	<b>7,331,533</b>	<b>6,663</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,350,088	3,789,345	3,780,167	9,178
Special	447,074	505,694	503,578	2,116
Vocational	164,115	185,633	175,055	10,578
Student Intervention Services	4,735	5,356	5,172	184
Support Services:				
Pupils	242,930	274,782	274,782	0
Instructional Staff	344,983	390,217	384,504	5,713
Board of Education	49,326	55,794	55,598	196
Administration	539,760	610,532	607,773	2,759
Fiscal	270,172	305,596	305,596	0
Business	44,860	50,742	50,410	332
Operation and Maintenance of Plant	525,347	594,230	592,205	2,025
Pupil Transportation	430,486	486,930	466,017	20,913
Central	100,259	113,405	112,733	672
Operation of Non-Instructional Services:				
Community Services	3,468	3,923	3,598	325
Food Service Operations	185	209	207	2
Extracurricular Activities	71,664	81,061	80,771	290
<b>Total Expenditures</b>	<b>6,589,453</b>	<b>7,453,449</b>	<b>7,398,166</b>	<b>55,283</b>
Excess of Revenues Over (Under) Expenditures	275,225	(128,579)	(66,633)	61,946
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	0	1,921	1,921	0
Insurance Recoveries	0	27,987	27,987	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>29,908</b>	<b>29,908</b>	<b>0</b>
Net Change in Fund Balance	275,225	(98,671)	(36,725)	61,946
Fund Balance at Beginning of Year	1,910,612	1,910,612	1,910,612	0
Prior Year Encumbrances Appropriated	146,791	146,791	146,791	0
<b>Fund Balance at End of Year</b>	<b>\$2,332,629</b>	<b>\$1,958,732</b>	<b>\$2,020,678</b>	<b>\$61,946</b>

See Accompanying Notes to the Basic Financial Statements

**Fairfield Local School District**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$44,923	\$37,121
<b>Liabilities</b>		
Undistributed Monies	0	\$37,121
<b>Net Position</b>		
Held in Trust for Scholarships	\$44,923	

See Accompanying Notes to the Basic Financial Statements

**Fairfield Local School District**  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
	Scholarship
<b>Additions:</b>	
Interest	\$176
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	245
Change in Net Position	(69)
Net Position at Beginning of Year	44,992
Net Position at End of Year	\$44,923

See Accompanying Notes to the Basic Financial Statements

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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 currently operates one instructional building and one bus garage.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Fairfield Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 15 of the basic financial statements. These organizations are:

Jointly Governed Organizations:

South Central Ohio Computer Association Regional Council of Governments  
Great Oaks Institute of Technology and Career Development

Insurance Purchasing Pool:

Ohio School Boards Association Workers’ Compensation Group Rating Plan

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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

The financial statements of the Fairfield Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

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

The Statement of Net Position 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.

*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. 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.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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

**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 are divided into two categories, governmental and fiduciary.

*Governmental Funds*

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

*General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Debt Service Fund* - The Debt Service Fund is used to account for the accumulation of resources restricted 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 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.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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

*Fiduciary Funds*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are 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 a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

*Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund 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 flow of economic resources measurement focus.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**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 inflows/outflows of resources, 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 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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, 2013  
(Continued)

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

*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 2013 amounted to \$10,209, which includes \$3,421 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.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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

**Capital Assets**

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

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:

<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 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.

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

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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

On governmental fund financial statements, compensated absences are recognized a liability and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees are paid.

**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.

**Fund Balance**

Fund balance is divided into five classifications 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 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.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of 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.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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

*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. These amounts are assigned by the School District Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a school District official delegated that authority by resolution or by State Statute.

*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 fund balance.

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.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is 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. Interfund payments for services provided and used are not eliminated.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. 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.

**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. 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.

**Bond Premiums and Compounded Interest on Capital Appreciation Bonds**

For governmental activities, bond premiums 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.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

**Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

**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 3 - FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, 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:

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

**NOTE 3 - FUND BALANCES (Continued)**

Fund Balances	General	Debt Service	Permanent Improvement	All Other Governmental Funds	Total
<i><b>Nonspendable</b></i>					
Inventory	\$0	\$0	\$0	\$766	\$766
<i><b>Restricted for</b></i>					
Debt Payment	0	648,520	0	0	648,520
Food Service Operations	0	0	0	56,451	56,451
Scholarships	0	0	0	30,327	30,327
Miscellaneous Grants	0	0	0	7,660	7,660
District Managed Activity	0	0	0	11,410	11,410
Capital Maintenance	0	0	0	47,425	47,425
Capital Improvements	0	0	197,854	0	197,854
<i>Total Restricted</i>	<u>0</u>	<u>648,520</u>	<u>197,854</u>	<u>153,273</u>	<u>999,647</u>
<i><b>Assigned to</b></i>					
Purchases on Order	92,786	0	0	0	92,786
<i>Unassigned</i>	<u>1,461,614</u>	<u>0</u>	<u>0</u>	<u>(18,202)</u>	<u>1,443,412</u>
<i>Total Fund Balances</i>	<u><u>\$1,554,400</u></u>	<u><u>\$648,520</u></u>	<u><u>\$197,854</u></u>	<u><u>\$135,837</u></u>	<u><u>\$2,536,611</u></u>

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2013, the Title I fund had a deficit fund balance of \$18,202. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (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	\$64,328
Adjustments:	
Revenue Accruals	6,446
Expenditure Accruals	26,922
Encumbrances	(134,421)
Budget Basis	<u><u>(\$36,725)</u></u>

**NOTE 6 - 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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 7- 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.

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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 7- PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, 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, 2013, are available to finance fiscal year 2013 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 that are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows – property taxes.

The amount available as an advance at June 30, 2013, was \$47,258 in the General Fund, \$6,108 in the Debt Service Fund, \$9,808 in the Permanent Improvement Capital Projects Fund, and \$959 in the Classroom Facilities Maintenance Special Revenue Fund (All Other Governmental Funds). 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).

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 reported as deferred inflows of resources-unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second - Half Collections		2013 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$73,174,280	97.27%	\$74,480,860	97.18%
Public Utility Personal	2,051,970	2.73%	2,158,840	2.82%
Total Assessed Value	<u>\$75,226,250</u>	<u>100.00%</u>	<u>\$76,639,700</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.09		\$34.09	

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2013 consisted of property taxes and intergovernmental grants. 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. All receivables except delinquent property taxes and advances, are expected to be collected within one year. 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>	
SERS Overfunding	\$12,324
BWC Refund	19,576
Total Intergovernmental Receivable	\$31,900

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	6/30/12	Additions	Deductions	6/30/13
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$399,200	\$0	\$0	\$399,200
Construction in Progress	\$0			\$0
Depreciated	0	0	0	
Capital Assets Being Depreciated:				
Land Improvements	689,256	0	0	689,256
Buildings and Improvements	18,352,004	4,150	0	18,356,154
Furniture, Fixtures and Equipment	2,055,203	58,148	(69,366)	2,043,985
Vehicles	780,939	84,331	(48,604)	816,666
Textbooks	970,875	0	0	970,875
Totals Capital Assets Being Depreciated	22,848,277	146,629	(117,970)	22,876,936
Less Accumulated Depreciation:				
Land Improvements	(434,188)	(39,548)	0	(473,736)
Buildings and Improvements	(5,320,383)	(464,992)	0	(5,785,375)
Furniture, Fixtures and Equipment	(1,533,631)	(110,710)	66,416	(1,577,925)
Vehicles	(533,063)	(45,632)	39,149	(539,546)
Textbooks	(970,875)	0	0	(970,875)
Total Accumulated Depreciation	(8,792,140)	(660,882) *	105,565	(9,347,457)
Total Capital Assets Being Depreciated, Net	14,056,137	(514,253)	(12,405)	13,529,479
Governmental Activities Capital Assets, Net	\$14,455,337	(\$514,253)	(\$12,405)	\$13,928,679

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 9 - CAPITAL ASSETS (Continued)**

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

Instruction:	
Regular	\$241,414
Special	30,084
Vocational	24,769
Support Services:	
Pupils	14,406
Instructional Staff	84,741
Administration	53,713
Fiscal	15,113
Operation and Maintenance of Plant	58,168
Pupil Transportation	80,729
Central	424
Operation of Non-Instructional Services -	
Food Service Operations	49,040
Extracurricular Activities	8,281
Total Depreciation Expense	<u><u>\$660,882</u></u>

**NOTE 10 - 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 2013, 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 four fiscal years. There has been no significant decrease in coverage from the prior fiscal year.

**Workers' Compensation**

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 11 - 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, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining .90 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, 2013, 2012, and 2011 were \$140,341, \$148,619 and \$110,000, respectively. For fiscal year 2013, 92.03 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**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  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 11 - 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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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, 2013, 2012, and 2011 were \$408,087, \$406,405, and \$406,592, respectively. For fiscal year 2013, 82.78 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 was \$6,407 made by the School District and \$4,577 made by the plan members.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 11 - 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 12 - 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 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$18,874 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, 2013, 2012, and 2011 were \$20,642, \$21,576, and \$31,950, respectively. For fiscal year 2013, 92.03 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 12 - 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 fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$8,177, \$8,777, and \$7,079, respectively. For fiscal year 2013, 92.03 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**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 Health Care 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 fiscal year 2013, STRS Ohio allocated employer contributions equal to one percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$31,391, \$31,262, and \$31,276, respectively; 82.78 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NOTE 13 - 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 earns 30 days of vacation per fiscal year. Accumulated, unused vacation time is paid to classified employees and the Superintendent upon termination of employment. Teachers do not earn vacation time.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 13 - 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 2013, 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.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

**NOTE 13 - EMPLOYEE BENEFITS (Continued)**

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

The retirement incentive bonus is paid within 30 days of the actual retirement date, provided written evidence of actual retirement (such as a copy of a retirement check or its stub) has been provided to the Treasurer.

Three employee's accepted the retirement incentive bonus during fiscal year 2013 and was paid prior to June 30.

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due in One Year
<u>Governmental Activities:</u>					
2006 School Improvement					
Refunding Bonds:					
Serial Bonds 3.50% to 3.75%	\$130,000	\$0	\$130,000	\$0	\$0
Term Bonds 4%	1,240,000	0	0	1,240,000	0
Capital Appreciation Bonds 11.27%	174,999	0	0	174,999	61,534
Accretion on Capital Appreciation Bonds	176,501	40,203	0	216,704	0
Premium on Debt Issuance	98,565	0	10,375	88,190	0
Compensated Absences	517,470	12,158	50,438	479,190	44,300
Total Governmental Activities					
Long-Term Obligations	<u>\$2,337,535</u>	<u>\$52,361</u>	<u>\$190,813</u>	<u>\$2,199,083</u>	<u>\$105,834</u>

**School Improvement Refunding Bonds 2006**

On February 1, 2006, the School District issued \$2,179,999 in general obligation bonds for the purpose of advance refunding the 1999 School Improvement Bonds. Of these bonds, \$765,000 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.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 14 - LONG-TERM OBLIGATIONS (Continued)**

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

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

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal years 2014 through 2016. The maturity amount of the capital appreciation bonds will be \$145,000 in 2014, \$155,000 in 2015, and \$160,000 in 2016. For fiscal year 2013, the capital appreciation bonds were accreted \$40,203.

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, 2013, \$1,700,000 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, Permanent Improvement Capital Projects Fund, and the Food Service and Title I Special Revenue Funds.

The School District's overall legal debt margin was \$4,834,054 with an unvoted debt margin of \$76,640 at June 30, 2013.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

**NOTE 14 - LONG-TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, are as follows:

School Improvement Refunding Bonds 2006					
Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2014	\$0	\$49,600	\$61,534	\$83,466	\$194,600
2015	0	49,600	58,934	96,066	204,600
2016	0	49,600	54,531	105,469	209,600
2017	170,000	46,200	0	0	216,200
2018	180,000	39,200	0	0	219,200
2019-2022	890,000	74,800	0	0	964,800
Total	\$1,240,000	\$309,000	\$174,999	\$285,001	\$2,009,000

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL**

**South Central Ohio Computer Association Regional Council of Governments**

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCA), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCA is an association of public Educational Service Centers 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 Educational Service Centers. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of the consortium including budget, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SCOCA \$118,037 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE  
PURCHASING POOL (Continued)**

**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.

**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 16 - 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 identifies the change in the fiscal year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 16 - SET-ASIDES (Continued)**

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2012	\$0
Current Fiscal Year Set-aside Requirement	155,212
Current Fiscal Year Offsets	(93,015)
Qualifying Disbursements	(62,197)
Totals	\$0
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$0
Set-aside Reserve Balance	
as of June 30, 2013	\$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**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, the affect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**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.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 18 – SIGNIFICANT COMMITMENTS**

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$134,421
Permanent Improvement	127,814
Other Governmental Funds	15,090
Total	<u><u>\$277,325</u></u>

**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34,” Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities,” and Statement No. 66, “Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.”*

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

Fairfield Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013  
(Continued)

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**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)**

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

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**FAIRFIELD LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

<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	\$53,120		\$53,120	
National School Lunch Program	3L60	10.555	144,875	12,386	144,875	12,386
Total Nutrition Cluster			<u>197,995</u>	<u>12,386</u>	<u>197,995</u>	<u>12,386</u>
<i>Passed Through National Future Farmers of America</i>						
Vo-Ag Living to Serve Grant	2012	10.500	2,500		4,657	
Total U.S. Department of Agriculture			<u>200,495</u>	<u>12,386</u>	<u>202,652</u>	<u>12,386</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	161,381		161,381	
Early Childhood	3C50	84.173	<u>1,250</u>		<u>1,250</u>	
Total Special Education Cluster			162,631		162,631	
Title I Cluster:						
ESEA Title I	3M00	84.010	<u>181,841</u>		<u>180,407</u>	
Total Title I Cluster			181,841		180,407	
Title II-D Technology	3S20	84.318			1,059	
Improving Teacher Quality	3Y60	84.367	29,044		29,044	
<i>Passed through Great Oaks Institute of Technology and Career Development</i>						
Vocational Education Basic Grants to States						
Career Education		84.048	3,000		1,873	
Total U.S. Department of Education			<u>376,516</u>		<u>375,014</u>	
<b>Total</b>			<u>\$577,011</u>	<u>\$12,386</u>	<u>\$577,666</u>	<u>\$12,386</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, 2013**

**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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfield Local School District, Highland County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

March 13, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Fairfield Local School District's (the District) compliance with the applicable 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, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the Fairfield Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

***Report on Internal Control over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2014

**FAIRFIELD LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster CFDA #10.553,10.555
<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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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy on July 19, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 13, 2014

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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 27, 2014**