

FAIRFIELD UNION LOCAL SCHOOL DISTRICT
ANNUAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Fairfield Union Local School District, Fairfield County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fairfield Union Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 29, 2014

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**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Board of Education
Fairfield Union Local School District
Lancaster, Ohio 43130

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 the Fairfield Union Local School District, Fairfield 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 the Fairfield Union Local School District, Fairfield County, Ohio as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3, for fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

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. 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 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 Expenditures of Federal Awards present 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 not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards is management's responsibility, and was derived from and relate 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 the schedule 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 a report dated November 8, 2013, on our consideration of Fairfield Union Local School 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 8, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The management's discussion and analysis of the Fairfield Union Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position of governmental activities decreased \$1,240,793 which represents a 2.07% decrease from 2012 as restated (see Note 3.A).
- General revenues accounted for \$18,972,700 in revenue or 80.77% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$4,517,550 or 19.23% of total revenues of \$23,490,250.
- The District had \$24,731,043 in expenses related to governmental activities; only \$4,517,550 of these expenses was offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,972,700 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$20,297,800 in revenues and other financing sources and \$19,649,067 in expenditures and other financing uses. During fiscal 2013, the general fund's fund balance increased \$648,733 from a fund balance of \$5,551,250 to \$6,199,983.
- The bond retirement fund had \$10,886,477 in revenues and other financing sources and \$10,299,644 in expenditures and other financing uses. The fund balance of the bond retirement fund increased \$586,833 from \$2,777,394 to \$3,364,227.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and change in net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statement of fiduciary assets and liabilities on page 24. This activity is excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-56 of this report.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. Net position at June 30, 2012 has been restated as described in Note 3.A to the basic financial statements. A comparative analysis for government-wide financial statements using the full accrual basis of accounting is presented below.

	Net Position	
		Restated Governmental Activities 2012
	Governmental Activities 2013	
<u>Assets</u>		
Current and other assets	\$ 29,201,453	\$ 28,586,638
Capital assets, net	63,584,060	66,163,348
Total assets	92,785,513	94,749,986
<u>Deferred outflows of resources</u>	1,052,111	-
<u>Liabilities</u>		
Current liabilities	2,677,297	2,936,354
Long-term liabilities	27,719,012	27,197,963
Total liabilities	30,396,309	30,134,317
<u>Deferred inflows of resources</u>	4,775,737	4,709,298
<u>Net Position</u>		
Investment in capital assets	38,337,737	40,156,432
Restricted	9,743,821	12,514,481
Unrestricted	10,584,020	7,235,458
Total net position	\$ 58,665,578	\$ 59,906,371

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets plus deferred outflows exceeded liabilities plus deferred inflows by \$58,665,578. The decrease in

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

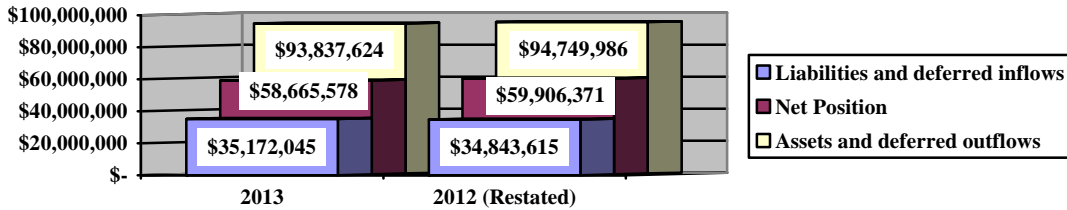
capital assets is due to the District's increase in the capitalization threshold from five hundred dollars to five thousand dollars.

At year-end, capital assets represented 68.53% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, library and textbooks. Net investment in capital assets at June 30, 2013, was \$38,337,737. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$9,743,821 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$10,584,020 may be used to meet the District's ongoing obligations to the students and creditors.

The table below illustrates the District's assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2013 and 2012:

Governmental Activities



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The table below shows the change in net position for fiscal year 2013 and 2012.

	Governmental Activities <u>2013</u>	Restated Governmental Activities <u>2012</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,264,853	\$ 2,176,312
Operating grants and contributions	2,242,646	2,077,336
Capital grants and contributions	10,051	55,669
General revenues:		
Property taxes	5,330,910	4,457,336
Income taxes	4,517,560	4,644,602
Grants and entitlements	9,041,817	8,865,218
Investment earnings	19,483	17,013
Other	<u>62,930</u>	<u>53,259</u>
Total revenues	<u>23,490,250</u>	<u>22,346,745</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2013</u>	<u>2012</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 10,146,124	\$ 7,855,280
Special	2,679,882	2,203,353
Vocational	478,177	399,942
Other	276,219	230,255
Support services:		
Pupil	1,044,907	848,865
Instructional staff	904,248	795,433
Board of education	38,432	35,588
Administration	1,433,390	1,349,878
Fiscal	603,761	599,400
Operations and maintenance	2,018,781	1,413,589
Pupil transportation	2,131,428	1,655,907
Central	148,372	95,300
Operation of non-instructional services:		
Other non-instructional services	2,221	1,046
Food service operations	1,071,493	919,684
Extracurricular activities	691,696	659,437
Interest and fiscal charges	<u>1,061,912</u>	<u>1,108,039</u>
Total expenses	<u>24,731,043</u>	<u>20,170,996</u>
Change in net position	(1,240,793)	2,175,749
Net position at beginning of year (restated)	<u>59,906,371</u>	<u>57,730,622</u>
Net position at end of year	<u>\$ 58,665,578</u>	<u>\$ 59,906,371</u>

Governmental Activities

Net position of the District's governmental activities decreased \$1,240,793. Total governmental expenses of \$24,731,043 were offset by program revenues of \$4,517,550 and general revenues of \$18,972,700. Program revenues supported 18.27% of the total governmental expenses.

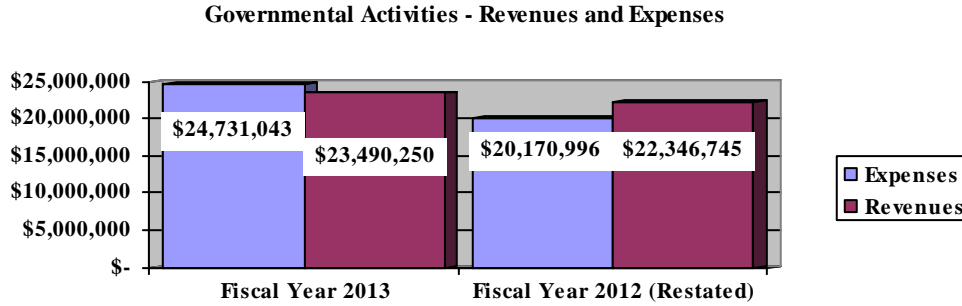
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 80.42% of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$13,580,402 or 54.91% of total governmental expenses for fiscal year 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2013 and 2012.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Restated Total Cost of Services <u>2012</u>	Restated Net Cost of Services <u>2012</u>
Program expenses				
Instruction:				
Regular	\$ 10,146,124	\$ 8,503,547	\$ 7,855,280	\$ 5,904,076
Special	2,679,882	1,186,676	2,203,353	1,242,921
Vocational	478,177	382,020	399,942	303,785
Other	276,219	263,114	230,255	211,143
Support services:				
Pupil	1,044,907	1,044,907	848,865	848,865
Instructional staff	904,248	890,848	795,433	792,983
Board of education	38,432	38,432	35,588	35,588
Administration	1,433,390	1,433,390	1,349,878	1,349,878
Fiscal	603,761	603,761	599,400	599,400
Operations and maintenance	2,018,781	1,992,792	1,413,589	1,393,122
Pupil transportation	2,131,428	2,131,428	1,655,907	1,603,879
Central	148,372	141,172	95,300	88,100
Operation of non-instructional services:				
Other non-instructional services	2,221	(300)	1,046	(526)
Food service operations	1,071,493	141,402	919,684	(25,565)
Extracurricular activities	691,696	398,392	659,437	405,991
Interest and fiscal charges	<u>1,061,912</u>	<u>1,061,912</u>	<u>1,108,039</u>	<u>1,108,039</u>
Total expenses	<u>\$ 24,731,043</u>	<u>\$ 20,213,493</u>	<u>\$ 20,170,996</u>	<u>\$ 15,861,679</u>

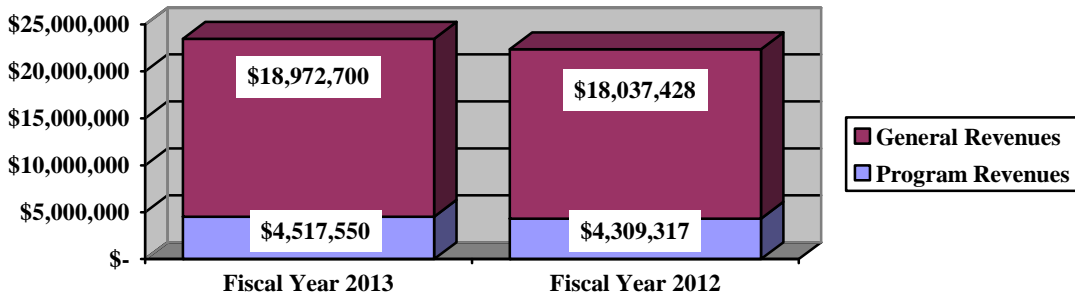
**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The dependence upon tax and other general revenues for governmental activities is apparent, 76.10% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.73%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$17,903,888, which is \$170,397 lower than last year's total of \$18,074,285. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Increase (Decrease)
General	\$ 6,199,983	\$ 5,551,250	\$ 648,733
Bond retirement	3,364,227	2,777,394	586,833
Other Governmental	<u>8,339,678</u>	<u>9,745,641</u>	<u>(1,405,963)</u>
Total	<u>\$ 17,903,888</u>	<u>\$ 18,074,285</u>	<u>\$ (170,397)</u>

General Fund

The District's general fund's fund balance increased by \$648,733. The increase in fund balance can be attributed to the District's ability to continually monitor expenditures and practice cost containment strategies to keep expenditure increases as low as possible.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Property taxes	\$ 4,479,995	\$ 3,733,505	19.99 %
Income taxes	4,431,886	4,558,928	(2.79) %
Tuition	1,483,299	1,435,616	3.32 %
Earnings on investments	17,745	16,665	6.48 %
Intergovernmental	9,695,745	9,552,577	1.50 %
Other revenues	<u>188,228</u>	<u>160,611</u>	17.19 %
 Total	 <u>\$ 20,296,898</u>	 <u>\$ 19,457,902</u>	 4.31 %
<u>Expenditures</u>			
Instruction	\$ 10,575,891	\$ 9,904,231	6.78 %
Support services	6,860,139	6,461,911	6.16 %
Extracurricular activities	421,227	418,878	0.56 %
Capital outlay	-	18,617	100.00 %
Debt service	<u>84,206</u>	<u>87,861</u>	(4.16) %
 Total	 <u>\$ 17,941,463</u>	 <u>\$ 16,891,498</u>	 6.22 %

Property tax revenues increased 19.99%. This increase can be partially attributed to the increase in advances available to the District at fiscal year-end. The amount of taxes available for advance fluctuates based on the timing of the tax bills sent by the County Auditor. Overall, expenditures remained stable, with an increase of 6.22%. This is primarily due to increases in the costs of salaries and benefits. The decrease in capital outlay is related to the District's copier lease entered into during fiscal year 2012.

Bond Retirement Fund

The bond retirement fund had \$596,613 in revenues, \$1,660,178 in transfers from the general fund and \$1,659,449 in expenditures. The bond retirement fund also had \$8,629,686 in other financial sources for the sale of refunding bonds and the associated premium and \$8,640,195 in payment to bond escrow agent for the refunding transaction. The expenditures in the fund were used for principal and interest payments on bonds, bond issuance costs and fiscal fees related to property taxes. The fund balance of the bond retirement fund increased from \$2,777,394 to \$3,364,227.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

During the course of fiscal year 2013, the District amended its general fund budget. For the general fund, original revenues and other financing sources were \$19,804,126. The final budgeted revenues and other financing sources were increased to \$20,167,995. Actual revenues and other financing sources for fiscal year 2013 was \$20,175,472. This represents a \$7,477 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) were \$19,581,654 and final appropriations were \$20,057,489. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$20,057,489, which was the same as the final appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$63,584,060 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, library and textbooks. The entire amount is reported in governmental activities. The following table shows June 30, 2013 balances compared to June 30, 2012:

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

Governmental Activities

	<u>2013</u>	<u>2012</u>
Land	\$ 356,747	\$ 356,747
Construction in progress	336,873	143,206
Land improvements	478,679	595,523
Building and improvements	60,030,763	60,653,258
Furniture and equipment	1,535,536	3,626,198
Vehicles	791,094	664,140
Library and textbooks	<u>54,368</u>	<u>124,276</u>
Total	<u>\$ 63,584,060</u>	<u>\$ 66,163,348</u>

Total additions to capital assets for 2013 were \$522,750. Disposals to capital assets for 2013 were \$2,125,492 (net of accumulated depreciation). Depreciation expense for fiscal year 2013 was \$976,546. Overall, capital assets of the District decreased \$2,579,288.

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

Debt Administration

At June 30, 2013, the District had \$25,024,300 in general obligation bonds, energy conservation notes, and capital lease obligations outstanding. Of this total, \$842,643 is due within one year and \$24,181,657 is due in greater than one year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The following table summarizes the bonds, notes and leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
General obligation bonds	\$ 24,768,754	\$ 25,319,548
Energy conservation note	65,000	120,000
Capital lease obligations	<u>190,546</u>	<u>264,105</u>
Total	<u>\$ 25,024,300</u>	<u>\$ 25,703,653</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Although considered a lower mid-wealth district, Fairfield Union Local School District has been financially stable over the past several years. As indicated in the preceding financial information, the District is heavily dependent on intergovernmental revenue. Of the District's funding, 41% is received through the State's foundation program, which along with other various grants and entitlements makes up just under 50% of the District's revenue. The District relies on state and federal funding to operate at the current level of services. Therefore, in the long-term, the current program and staffing levels will be dependent on the increased funding to meet inflation. The careful financial planning and passage of additional local taxes when needed have permitted the District to provide a quality education for students, along with the maintenance of existing facilities.

The District does not anticipate any meaningful growth in revenue but does anticipate a very meaningful loss of revenue as a result of changes to the State's budget. Based upon this anticipated loss of revenue, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Residential/agricultural property contributes approximately 82% of the District's real estate valuation.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Kevin D. Miller, Treasurer of the Fairfield Union Local School District, 6417 Cincinnati-Zanesville Rd. NE, Lancaster, Ohio 43130.

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 18,824,657
Cash with fiscal agent	2,361,686
Cash with escrow agent	3,829
Receivables:	
Property taxes	5,615,474
Income taxes.	1,930,065
Accounts.	3,030
Accrued interest	2,429
Intergovernmental	330,551
Materials and supplies inventory.	129,732
Capital assets:	
Nondepreciable capital assets	693,620
Depreciable capital assets, net.	62,890,440
Capital assets, net	63,584,060
Total assets.	92,785,513
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,052,111
Total deferred outflows of resources	1,052,111
 Liabilities:	
Accounts payable.	82,656
Contracts payable.	79,540
Retainage payable	3,829
Accrued wages and benefits payable	1,812,713
Pension obligation payable.	316,806
Intergovernmental payable	103,356
Accrued interest payable	110,297
Claims payable.	168,100
Long-term liabilities:	
Due within one year.	1,156,675
Due in more than one year.	26,562,337
Total liabilities	30,396,309
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,775,737
Total deferred inflows of resources	4,775,737
 Net position:	
Net investment in capital assets	38,337,737
Restricted for:	
Capital projects	4,946,265
Classroom facilities maintenance	748,941
Debt service.	3,261,842
Locally funded programs	7,932
Federally funded programs	174,132
Student activities	185,564
Other purposes	419,145
Unrestricted.	10,584,020
Total net position.	\$ 58,665,578

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular	\$ 10,146,124	\$ 1,531,920	\$ 100,606	\$ 10,051	\$ (8,503,547)
Special	2,679,882	-	1,493,206	-	(1,186,676)
Vocational	478,177	-	96,157	-	(382,020)
Other	276,219	-	13,105	-	(263,114)
Support services:					
Pupil	1,044,907	-	-	-	(1,044,907)
Instructional staff	904,248	-	13,400	-	(890,848)
Board of education	38,432	-	-	-	(38,432)
Administration	1,433,390	-	-	-	(1,433,390)
Fiscal	603,761	-	-	-	(603,761)
Operations and maintenance	2,018,781	25,989	-	-	(1,992,792)
Pupil transportation	2,131,428	-	-	-	(2,131,428)
Central	148,372	-	7,200	-	(141,172)
Operation of non-instructional services:					
Other non-instructional services	2,221	-	2,521	-	300
Food service operations	1,071,493	413,640	516,451	-	(141,402)
Extracurricular activities	691,696	293,304	-	-	(398,392)
Interest and fiscal charges	1,061,912	-	-	-	(1,061,912)
Total governmental activities	\$ 24,731,043	\$ 2,264,853	\$ 2,242,646	\$ 10,051	(20,213,493)
General revenues:					
Property taxes levied for:					
					4,529,486
					529,287
					272,137
Income taxes levied for:					
					4,517,560
					9,041,817
					19,483
					62,930
					<u>18,972,700</u>
					(1,240,793)
					<u>59,906,371</u>
					<u>\$ 58,665,578</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 6,362,934	\$ 3,346,254	\$ 8,551,457	\$ 18,260,645
Cash with escrow agent	-	-	3,829	3,829
Receivables:				
Property taxes	4,773,437	557,565	284,472	5,615,474
Income taxes	1,930,065	-	-	1,930,065
Accounts	2,315	-	715	3,030
Accrued interest	2,429	-	-	2,429
Intergovernmental	113,296	-	217,255	330,551
Materials and supplies inventory	120,123	-	9,609	129,732
Total assets	<u>\$ 13,304,599</u>	<u>\$ 3,903,819</u>	<u>\$ 9,067,337</u>	<u>\$ 26,275,755</u>
Liabilities:				
Accounts payable	\$ 59,856	\$ -	\$ 22,800	\$ 82,656
Contracts payable	-	-	79,540	79,540
Retainage payable	-	-	3,829	3,829
Accrued wages and benefits payable	1,678,048	-	134,665	1,812,713
Compensated absences payable	258,309	-	-	258,309
Intergovernmental payable	101,059	-	2,297	103,356
Pension obligation payable	284,181	-	32,625	316,806
Total liabilities	<u>2,381,453</u>	<u>-</u>	<u>275,756</u>	<u>2,657,209</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	4,061,011	472,027	242,699	4,775,737
Delinquent property tax revenue not available	578,437	67,565	34,472	680,474
Accrued interest not available	774	-	-	774
Intergovernmental revenue not available	82,941	-	174,732	257,673
Total deferred inflows of resources	<u>4,723,163</u>	<u>539,592</u>	<u>451,903</u>	<u>5,714,658</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	120,123	-	9,609	129,732
Restricted:				
Debt service	-	3,364,227	-	3,364,227
Capital improvements	-	-	4,911,793	4,911,793
Classroom facilities maintenance	-	-	750,017	750,017
Food service operations	-	-	454,350	454,350
Extracurricular	-	-	185,564	185,564
Other purposes	-	-	7,932	7,932
Committed:				
Capital improvements	-	-	2,009,329	2,009,329
Assigned:				
Student instruction	167,691	-	-	167,691
Student and staff support	234,074	-	-	234,074
Subsequent year's appropriations	827,733	-	-	827,733
Other purposes	-	-	11,684	11,684
Unassigned (deficit)	4,850,362	-	(600)	4,849,762
Total fund balances	<u>6,199,983</u>	<u>3,364,227</u>	<u>8,339,678</u>	<u>17,903,888</u>
Total liabilities, deferred outflows and fund balances	<u>\$ 13,304,599</u>	<u>\$ 3,903,819</u>	<u>\$ 9,067,337</u>	<u>\$ 26,275,755</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances		\$	17,903,888
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			63,584,060
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	680,474	
Accrued interest receivable		774	
Intergovernmental receivable		257,673	
Total		938,921	938,921
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			2,757,598
Unamortized premiums on bonds issued are not recognized in the funds.			(1,333,787)
Unamortized amounts on refundings are not recognized in the funds.			1,052,111
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(110,297)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(24,768,754)	
Capital lease obligations		(190,546)	
Energy conservation notes		(65,000)	
Compensated absences		(1,102,616)	
Total		(26,126,916)	(26,126,916)
Net position of governmental activities		\$	58,665,578

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,479,995	\$ 523,714	\$ 268,596	\$ 5,272,305
Income taxes	4,431,886	-	85,674	4,517,560
Tuition	1,483,299	-	-	1,483,299
Earnings on investments	17,745	-	11,074	28,819
Charges for services	-	-	413,640	413,640
Extracurricular	50,688	-	242,616	293,304
Classroom materials and fees	48,621	-	-	48,621
Rental income	25,989	-	-	25,989
Contributions and donations	-	-	14,111	14,111
Other local revenues	62,930	-	-	62,930
Intergovernmental - intermediate	-	-	12,000	12,000
Intergovernmental - state	9,649,624	72,899	97,354	9,819,877
Intergovernmental - federal	46,121	-	1,180,341	1,226,462
Total revenues	<u>20,296,898</u>	<u>596,613</u>	<u>2,325,406</u>	<u>23,218,917</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,118,520	-	55,591	8,174,111
Special	1,788,157	-	590,715	2,378,872
Vocational	425,399	-	-	425,399
Other	243,815	-	8,228	252,043
Support services:				
Pupil	951,006	-	-	951,006
Instructional staff	775,108	-	5,485	780,593
Board of education	36,950	-	-	36,950
Administration	1,382,167	-	-	1,382,167
Fiscal	562,480	11,152	5,378	579,010
Operations and maintenance	1,586,960	-	125,920	1,712,880
Pupil transportation	1,437,547	-	289,380	1,726,927
Central	127,921	-	7,200	135,121
Operation of non-instructional services:				
Other non-instructional services	-	-	2,221	2,221
Food service operations	-	-	958,873	958,873
Extracurricular activities	421,227	-	251,218	672,445
Facilities acquisition and construction	-	-	1,478,586	1,478,586
Debt service:				
Principal retirement	73,559	665,000	-	738,559
Interest and fiscal charges	10,647	844,436	-	855,083
Bond issuance costs	-	138,861	-	138,861
Total expenditures	<u>17,941,463</u>	<u>1,659,449</u>	<u>3,778,795</u>	<u>23,379,707</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,355,435</u>	<u>(1,062,836)</u>	<u>(1,453,389)</u>	<u>(160,790)</u>
Other financing sources (uses):				
Premium on refunding bonds	-	1,175,133	-	1,175,133
Sale of refunding bonds	-	7,454,553	-	7,454,553
Sale of assets	902	-	-	902
Transfers in	-	1,660,178	982,406	2,642,584
Transfers (out)	(1,707,604)	-	(934,980)	(2,642,584)
Payment to refunded bond escrow agent	-	(8,640,195)	-	(8,640,195)
Total other financing sources (uses)	<u>(1,706,702)</u>	<u>1,649,669</u>	<u>47,426</u>	<u>(9,607)</u>
Net change in fund balances	648,733	586,833	(1,405,963)	(170,397)
Fund balances at beginning of year	<u>5,551,250</u>	<u>2,777,394</u>	<u>9,745,641</u>	<u>18,074,285</u>
Fund balances at end of year	<u>\$ 6,199,983</u>	<u>\$ 3,364,227</u>	<u>\$ 8,339,678</u>	<u>\$ 17,903,888</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds	\$	(170,397)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 522,750	
Current year depreciation	(976,546)	
Total		(453,796)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(2,125,492)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	58,605	
Earnings on investments	774	
Intergovernmental	210,990	
Total		270,369
Repayment of bond, notes and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		738,559
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(7,454,553)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	7,455,000	
Deferred charges on refundings	1,185,195	
Total		8,640,195
Premiums on bonds related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.		
		(1,175,133)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(19,840)	
Accreted interest on capital appreciation bonds	(59,653)	
Amortization of bond premiums	25,071	
Amortization of deferred charges	(13,546)	
Total		(67,968)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		88,431
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		468,992
Change in net position of governmental activities	\$	(1,240,793)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,235,700	\$ 4,409,896	\$ 4,409,896	\$ -
Income taxes.	4,514,326	4,427,168	4,427,168	-
Tuition.	1,392,000	1,483,299	1,483,299	-
Earnings on investments	17,000	16,651	17,612	961
Extracurricular.	18,000	17,680	17,685	5
Classroom materials and fees	45,600	48,410	48,621	211
Rental income	16,000	26,684	26,850	166
Other local revenues	25,000	44,406	44,902	496
Intergovernmental - state	9,515,000	9,649,624	9,649,624	-
Intergovernmental - federal	24,000	40,483	46,121	5,638
Total revenues	<u>19,802,626</u>	<u>20,164,301</u>	<u>20,171,778</u>	<u>7,477</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,470,851	7,468,893	8,077,578	(608,685)
Special.	1,910,374	1,910,374	1,822,042	88,332
Vocational.	416,261	892,096	418,967	473,129
Other.	214,738	214,738	234,594	(19,856)
Support services:				
Pupil.	947,472	947,472	942,560	4,912
Instructional staff	887,090	887,090	826,492	60,598
Board of education	43,010	43,010	36,950	6,060
Administration.	1,493,962	1,495,920	1,494,923	997
Fiscal	573,201	573,201	571,816	1,385
Operations and maintenance.	1,533,646	1,533,646	1,638,094	(104,448)
Pupil transportation	1,416,554	1,416,554	1,496,380	(79,826)
Central.	179,883	179,883	143,672	36,211
Extracurricular activities.	385,273	385,273	370,534	14,739
Total expenditures	<u>17,472,315</u>	<u>17,948,150</u>	<u>18,074,602</u>	<u>(126,452)</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,330,311</u>	<u>2,216,151</u>	<u>2,097,176</u>	<u>(118,975)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	500	2,792	2,792	-
Refund of prior year's receipts.	(335,000)	(335,000)	(275,283)	59,717
Transfers (out).	(1,774,339)	(1,774,339)	(1,707,604)	66,735
Sale of capital assets	1,000	902	902	-
Total other financing sources (uses)	<u>(2,107,839)</u>	<u>(2,105,645)</u>	<u>(1,979,193)</u>	<u>126,452</u>
Net change in fund balance	222,472	110,506	117,983	7,477
Fund balance at beginning of year	5,285,176	5,285,176	5,285,176	-
Prior year encumbrances appropriated	482,204	482,204	482,204	-
Fund balance at end of year	<u>\$ 5,989,852</u>	<u>\$ 5,877,886</u>	<u>\$ 5,885,363</u>	<u>\$ 7,477</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>Governmental Activities - Internal Service Funds</u>
Assets:	
Equity in pooled cash	
and cash equivalents	\$ 564,012
Cash with fiscal agent	<u>2,361,686</u>
Total assets.	<u>2,925,698</u>
Liabilities:	
Claims payable	<u>168,100</u>
Total liabilities	<u>168,100</u>
Net position:	
Unrestricted.	<u>2,757,598</u>
Total net position.	<u>\$ 2,757,598</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services.	\$ 3,022,166
Total operating revenues	<u>3,022,166</u>
Operating expenses:	
Purchased services.	170,182
Claims	<u>2,383,956</u>
Total operating expenses.	<u>2,554,138</u>
Operating income.	<u>468,028</u>
Nonoperating revenues:	
Interest revenue	964
Total nonoperating revenues.	<u>964</u>
Change in net position	468,992
Net position at beginning of year.	<u>2,288,606</u>
Net position at end of year	<u>\$ 2,757,598</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from interfund services provided.	\$ 3,022,166
Cash payments for goods and services.	(170,182)
Cash payments for claims	<u>(2,412,271)</u>
Net cash provided by operating activities	<u>439,713</u>
Cash flows from investing activities:	
Interest received	<u>964</u>
Net cash provided by investing activities	<u>964</u>
Net increase in cash and cash equivalents.	440,677
Cash and cash equivalents at beginning of year	<u>2,485,021</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,925,698</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 468,028
Changes in assets and liabilities: (Decrease) in claims payable	<u>(28,315)</u>
Net cash provided by operating activities.	<u><u>\$ 439,713</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 155,512
Total assets.	<u>\$ 155,512</u>
Liabilities:	
Accounts payable.	\$ 2,854
Due to students.	<u>152,658</u>
Total liabilities	<u>\$ 155,512</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Fairfield Union Local School District (the "District") is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District is a result of consolidation in the early 1960's of the Rushville, Bremen and Pleasantville School Districts. It is staffed by 86 non-certified employees and 130 certified full-time personnel who provide services to 1,994 students and other community members. The District is supervised by the Fairfield County Educational Service Center, a separate entity.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council

MEC is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. MEC is established under the Ohio Revised Code Chapter 167 as a regional council of governments. The governing board of MEC consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the Governing Board. MEC is its own fiscal agent. MEC provides computer services to the District.

Financial information can be obtained from the offices of the Director, Metropolitan Educational Council, 2100 Citygate Drive, Columbus, Ohio.

Fairfield County Council for Educational Collaboration

In accordance with the provisions of Ohio Revised Code 167 and 124.81, certain boards of education and institutions of higher education, within Fairfield County, have determined to enter into an agreement to form a council of governments. This council of governments shall be known as the Fairfield County Council for Educational Collaboration.

The purpose of the Fairfield County Council for Educational Collaboration is to bring together the public school systems and public institutions for higher education in Fairfield County so they can collectively devise and provide for enhanced educational opportunities for the students and citizens of the community. The areas of interest that may be addressed by the Council include, but are not limited to, student programming, school management issues, and any other collaborative projects deemed appropriate by the governing body of the Council. The District appoints the superintendent to be its representative to the Board of Directors of this Council. The District has no ongoing financial interest or financial responsibility to the Fairfield County Council for Educational Collaboration.

INSURANCE PURCHASING POOLS

CompManagement Health Systems Worker's Compensation Group Rating Plan

The District participates in a Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool with the CompManagement Health Systems. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

South Central Ohio Insurance Consortium

The District is a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the superintendent, treasurer, or other designee appointed by each of the members of the SCOIC. Members include 12 school districts, the City of Lancaster and the Fairfield County Board of Developmental Disabilities. The Liberty Union-Thurston Local School District serves as fiscal agent for the SCOIC. To obtain financial information for the SCOIC, write to the fiscal agent, at 600 Washington Street, Baltimore, Ohio 43105.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, dental and vision benefits to employees.

FIDUCIARY FUNDS

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

D. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

E. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at the fiscal year-end: property taxes available for advance, income taxes, grants and interest.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During the fiscal year 2013, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposit. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

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 \$17,745.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

An analysis of the District's investments at year-end is provided in Note 4.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

H. Capital Assets

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District increased the capitalization threshold to \$5,000 during fiscal year 2013. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 30 years
Buildings and improvements	15 - 99 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years
Library books and textbooks	10 years

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 45 years of age with 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J. Unamortized Bond Premium and Deferred Charges

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

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

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

K. Accrued Liabilities and Long-Term Liabilities

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Capital leases, bonds and long-term notes are recognized as a liability on the fund financial statements when due.

L. Net Position

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund.

O. Interfund Transactions

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2013, the District reported no extraordinary or special items.

Q. Estimates

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

R. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

	Governmental Activities
Net assets as previously reported	\$ 60,269,442
Removal of unamortized bond issuance costs	(363,071)
Net position at July 1, 2012	\$ 59,906,371

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 380
Improving teacher quality	220

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the basic financial statements as "equity in pooled cash and cash equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Escrow Agent

At fiscal year end, the District had \$3,829 in depository accounts for retainage related to the District's Ohio School Facilities Commission building project. These depository accounts are held outside of the District's internal investment pool. The balances in these depository accounts are not included in the amount of "deposits" reported below.

B. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2013 was \$2,361,686. This amount is not included in the "deposits" or "investments" reported below.

C. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$15,511,813. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$14,144,031 of the District's bank balance of \$15,594,031 was exposed to custodial risk as discussed below, while \$1,450,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2013, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ <u>3,468,356</u>	\$ <u>3,468,356</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ <u>3,468,356</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 15,511,813
Investments	3,468,356
Cash with escrow agent	3,829
Cash with fiscal agent	<u>2,361,686</u>
Total	<u>\$ 21,345,684</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 21,190,172
Agency funds	<u>155,512</u>
Total	<u>\$ 21,345,684</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statement:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Bond retirement fund	\$ 1,660,178
Nonmajor governmental funds	47,426
 <u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>934,980</u>
 Total	 <u>\$ 2,642,584</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer of \$934,980 was from the District's building fund to the permanent improvement fund for interest earnings unspent related to the District's construction projects approved by OSFC.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - SCHOOL INCOME TAXES

The District currently benefits from a 2.00% income tax, which is assessed on all residents of the District. The District apportions the proceeds to the general fund and earmarks a portion to be used for classroom facilities maintenance. During fiscal year 2013, the District received \$4,517,560 from the school income tax.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on 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 is currently assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 7 - PROPERTY TAXES - (Continued)

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$133,989 in the general fund, \$17,973 in the bond retirement fund and \$7,301 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$63,890 in the general fund, \$8,294 in the bond retirement fund and \$3,518 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 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.

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

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

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 186,606,770	84.47	\$ 188,099,220	87.39
Public utility personal	<u>34,296,490</u>	<u>15.53</u>	<u>24,146,900</u>	<u>12.61</u>
Total	<u>\$ 220,903,260</u>	<u>100.00</u>	<u>\$ 212,246,120</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$47.10		\$47.10	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - RECEIVABLES

Receivables at June 30, 2013 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 5,615,474
Income taxes	1,930,065
Accounts	3,030
Intergovernmental	330,551
Accrued interest	<u>2,429</u>
Total	<u>\$ 7,881,549</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance 06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/13</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 356,747	\$ -	\$ -	\$ 356,747
Construction in progress	<u>143,206</u>	<u>336,873</u>	<u>(143,206)</u>	<u>336,873</u>
Total capital assets, not being depreciated	<u>499,953</u>	<u>336,873</u>	<u>(143,206)</u>	<u>693,620</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	900,473	13,197	(90,953)	822,717
Buildings and improvements	61,939,805	8,100	(4,779)	61,943,126
Furniture and equipment	5,460,992	60,032	(3,201,657)	2,319,367
Vehicles	1,700,013	247,754	(160,491)	1,787,276
Library books and textbooks	<u>686,694</u>	<u>-</u>	<u>(191,857)</u>	<u>494,837</u>
Total capital assets, being depreciated	<u>70,687,977</u>	<u>329,083</u>	<u>(3,649,737)</u>	<u>67,367,323</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(304,950)	(44,401)	5,313	(344,038)
Buildings and improvements	(1,286,547)	(626,788)	972	(1,912,363)
Furniture and equipment	(1,834,794)	(175,715)	1,226,678	(783,831)
Vehicles	(1,035,873)	(116,465)	156,156	(996,182)
Library books and textbooks	<u>(562,418)</u>	<u>(13,177)</u>	<u>135,126</u>	<u>(440,469)</u>
Total accumulated depreciation	<u>(5,024,582)</u>	<u>(976,546)</u>	<u>1,524,245</u>	<u>(4,476,883)</u>
Governmental activities capital assets, net	<u>\$ 66,163,348</u>	<u>\$ (310,590)</u>	<u>\$ (2,268,698)</u>	<u>\$ 63,584,060</u>

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 550,179
Special	89,025
Vocational	14,124
Other	8,198
<u>Support services:</u>	
Pupil	33,401
Instructional staff	30,120
Board of Education	357
Administration	15,977
Fiscal	5,747
Operations and maintenance	74,361
Pupil transportation	113,527
Central	3,360
Extracurricular activities	5,107
Food service operations	<u>33,063</u>
Total depreciation expense	<u>\$ 976,546</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior year, the District entered into capital leases for the acquisition of school buses and copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability has been recorded as a long-term obligation. Principal payments in fiscal year 2013 totaled \$73,559.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2013:

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$ 80,716
2015	50,716
2016	35,167
2017	21,224
2018	<u>17,351</u>
Total minimum lease payment	205,174
Less: amount representing interest	<u>(14,628)</u>
Present value of minimum lease payments	<u>\$ 190,546</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance 07/01/12</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/13</u>	<u>Amount Due in One Year</u>
<u>Governmental activities:</u>						
Energy conservation notes	4.85%	\$ 120,000	\$ -	\$ (55,000)	\$ 65,000	\$ 65,000
Bonds - building and improvements	4.10%	7,714,550	-	(7,570,000)	144,550	48,802
Refunding HS bond	4.20%	530,000	-	(70,000)	460,000	70,000
Series 2006A - buses	4.20%	155,000	-	(30,000)	125,000	30,000
Series 2006A - bonds	4.20%	7,555,000	-	(225,000)	7,330,000	305,000
Series 2007 - bonds	4.10%	9,364,998	-	(170,000)	9,194,998	140,000
Series 2012 refunding bonds	2.50%	-	7,514,206	-	7,514,206	110,000
Capital leases payable	N/A	264,105	-	(73,559)	190,546	73,841
Compensated absences	N/A	<u>1,191,047</u>	<u>248,211</u>	<u>(78,333)</u>	<u>1,360,925</u>	<u>314,032</u>
Total governmental activities		<u>\$ 26,894,700</u>	<u>\$ 7,762,417</u>	<u>\$ (8,271,892)</u>	26,385,225	<u>\$ 1,156,675</u>
Add: unamortized premium on bonds					<u>1,333,787</u>	
Total on statement of activities					<u>\$ 27,719,012</u>	

Energy Conservation Note - In December, 1997, Fairfield Union Local School District issued general obligation notes for H. B. 264 energy improvements. The notes were issued for \$1,047,892 at 4.4% interest and matured December 2006. The balance of this debt was refinanced in November, 1998 extending the payment schedule an additional five years. In June, 1999 the District issued additional general obligation notes for H. B. 264 energy improvements. The notes were issued for \$425,000 at 4.85% interest and mature in December 2013.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds - Buildings and Improvements - In April 2006, general obligation bonds at 4.10% interest were issued in the amount of \$7,989,550, as a result of the District being approved for school facilities funding through the State Department of Education for the renovation of the Junior-Senior High School Building and to begin the design process for three new buildings. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 3 mil levy in November 2005. Of the 3 mil levy, 2.5 mils is used for the retirement of the bonds that were issued and are in effect for thirty years. The remaining .5 mil is used for repairs and maintenance of the facility. As a part of this funding process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the thirty year period expires. If the District's adjusted valuation per pupil increased above the State-wide median adjusted valuation during the thirty year period, the District may become responsible for repayment of a portion of the State's contribution.

Refunding General Obligation Bonds - During fiscal year 2007, the District issued \$800,000 of general obligation bonds at 4.2% for the advance refunding of \$820,000 of the 1993 building bonds. The proceeds of the refunding were deposited in an irrevocable trust to provide for all future debt service payments. The payment to the escrow agent resulted in an insubstance defeasance of the Building Bonds. As a result, the liability for the Building Bonds was removed as a liability of the District.

General Obligation Bonds - Series 2006A - Buses - In December of 2006, the District issued \$280,000 in general obligation bus bonds for the purchase of school buses. These bonds have an interest of 4.20% and mature in 2021.

General Obligation Bonds - Series 2006A - Classroom Facilities - In December of 2006, The District issued \$8,215,000 in general obligation bonds for purpose of funding a portion of the basic project cost of a classroom facilities project in accordance with a Project Agreement with the Ohio School Facilities Commission. These bonds have an interest of 4.20% and mature in 2021.

General Obligation Bonds - Series 2007 - The general obligation bonds were issued in the amount of \$9,959,998 at 4.1% interest in January 2007 to repay the bond anticipation notes. The District issued the general obligation bonds to cover the District's share of the Ohio School Facilities Commission Project.

The District's notes and bonds are paid from the Bond Retirement Debt Service Fund. The capital leases are all paid from the General Fund. The compensated absences are paid from the fund from which the respective employees' salaries are paid.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

The refunding issue is comprised of both current interest bonds, par value \$7,215,000, and capital appreciation bonds, par value \$239,553. The interest rates on the current interest bonds range from 2.0% to 3.0%. The capital appreciation bonds mature annually on December 1, 2015 through December 1, 2019 (effective interest rate 36.30%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,350,000. Total accreted interest of \$59,653 has been included on the statement of net position. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2033.

The following is a schedule of activity for fiscal year 2013 for the Series 2007 refunding bonds:

	<u>Balance</u> <u>07/01/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/13</u>
Current interest bonds -				
Series 2012 refunding bonds	\$ -	\$ 7,215,000	\$ -	\$ 7,215,000
Capital appreciation bonds -				
Series 2012 refunding bonds	-	239,553	-	239,553
Capital appreciation bonds -				
Accreted interest	<u>-</u>	<u>59,653</u>	<u>-</u>	<u>59,653</u>
Total G.O. bonds	<u>\$ -</u>	<u>\$ 7,514,206</u>	<u>\$ -</u>	<u>\$ 7,514,206</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$1,065,657. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 21 years by \$1,222,425 and resulted in a net present value economic gain of \$960,541.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The annual requirements to retire the energy conservation note and general obligation bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30	Series 2012 - Current Interest Bonds			Series 2012 - Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 110,000	\$ 190,125	\$ 300,125	\$ -	\$ -	\$ -
2015	115,000	187,875	302,875	-	-	-
2016	-	186,724	186,724	40,549	74,451	115,000
2017	-	186,724	186,724	73,251	216,749	290,000
2018	-	186,724	186,724	54,282	245,718	300,000
2019 - 2023	1,085,000	900,736	1,985,736	71,471	573,529	645,000
2024 - 2028	2,255,000	677,315	2,932,315	-	-	-
2029 - 2033	2,960,000	332,188	3,292,188	-	-	-
2034	690,000	10,350	700,350	-	-	-
Total	\$ 7,215,000	\$ 2,858,761	\$ 10,073,761	\$ 239,553	\$ 1,110,447	\$ 1,350,000

Fiscal Year Ending June 30	Energy Conservation Notes			Building and Improvement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 65,000	\$ 1,576	\$ 66,576	\$ 48,802	\$ 436,758	\$ 485,560
2015	-	-	-	45,514	445,046	490,560
2016	-	-	-	50,234	470,326	520,560
Total	\$ 65,000	\$ 1,576	\$ 66,576	\$ 144,550	\$ 1,352,130	\$ 1,496,680

Fiscal Year Ending June 30	Refunding HS Bonds			Series 2006A Buses		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 70,000	\$ 17,000	\$ 87,000	\$ 30,000	\$ 4,919	\$ 34,919
2015	75,000	14,100	89,100	30,000	3,532	33,532
2016	80,000	11,000	91,000	30,000	2,163	32,163
2017	75,000	7,900	82,900	35,000	744	35,744
2018	80,000	4,800	84,800	-	-	-
2019	80,000	1,600	81,600	-	-	-
Total	\$ 460,000	\$ 56,400	\$ 516,400	\$ 125,000	\$ 11,358	\$ 136,358

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30	Series 2006A Bonds			Series 2007 Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 305,000	\$ 303,021	\$ 608,021	\$ 140,000	\$ 370,169	\$ 510,169
2015	315,000	288,684	603,684	175,000	364,066	539,066
2016	330,000	273,975	603,975	225,000	356,316	581,316
2017	310,000	259,963	569,963	79,998	566,958	646,956
2018	360,000	245,726	605,726	345,000	344,625	689,625
2019 - 2023	2,045,000	980,533	3,025,533	2,560,000	1,439,693	3,999,693
2024 - 2028	2,510,000	507,036	3,017,036	3,890,000	772,819	4,662,819
2029 - 2030	1,155,000	49,035	1,204,035	1,780,000	74,251	1,854,251
Total	<u>\$ 7,330,000</u>	<u>\$ 2,907,973</u>	<u>\$ 10,237,973</u>	<u>\$9,194,998</u>	<u>\$ 4,288,897</u>	<u>\$ 13,483,895</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$(2,242,723) (including available funds of \$3,364,227) and an unvoted debt margin of \$212,246 and an unvoted energy conservation debt margin of \$1,845,215.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days classified employees and 60 days for certified employees. In addition, certified employees who retire at thirty years of service and have the maximum accumulation will receive a retirement bonus of 75 days severance pay in lieu of the 60 days.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the District contracted with Ohio Casualty for professional and general liability insurance and Indiana Insurance for property and fleet insurance. Coverages provided are as follows:

<u>Type of Coverage</u>	<u>Liability Limit</u>
Building and Contents - replacement cost (\$1,000 deductible)	\$
Musical Instruments (\$500 deductible)	100,000
Automobile Liability (\$500 deductible) Per Person	1,000,000
Uninsured Motorists Per Person	1,000,000
Per Accident	2,000,000
<i>General Liability:</i>	
Per Occurrence (\$1,000 deductible)	1,000,000
Aggregate Limit	3,000,000
<i>School Board Legal Liability:</i>	
Per Person (\$2,500 deductible)	1,000,000
Aggregate Limit	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from fiscal year 2012.

For fiscal year 2013, the District participated in the CompManagement Health Systems Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 13 - RISK MANAGEMENT - (Continued)

The District provides a health and dental insurance program for its employees. Premiums are paid directly to a third party administrator, South Central Ohio Insurance Consortium, out of the District's Self-Insurance Internal Service Fund. EV Benefits services all claims submitted by employees. The Internal Service Fund presented in the financial statements reflects the premiums paid by the same funds that pay the employees' salaries. The premiums paid into the Internal Service Fund are used for claims, claim reserves and administrative costs.

The claims liability of \$168,100 reported at June 30, 2013 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement (GASB) No. 10 "Accounting and Financial Reporting for Financing and Related Insurance Issues" as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

		Balance at Beginning <u>of Year</u>	Current <u>Year Claims</u>	<u>Claim Payments</u>	Balance at <u>End of Year</u>
2013	\$	196,415	\$ 2,383,956	\$ (2,412,271)	\$ 168,100
2012		258,322	2,097,757	(2,159,664)	196,415

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$327,106, \$307,733 and \$281,342, respectively; 76.04 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 14 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$991,066, \$955,874 and \$1,014,797, respectively; 85.26 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$1,144 made by the District and \$817 made by the Plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 (latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$37,797, \$47,484 and \$69,767, respectively; 76.04 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$18,478, \$18,173 and \$18,105, respectively; 76.04 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$76,236, \$73,529 and \$78,061, respectively; 85.26 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 117,983
Net adjustment for revenue accruals	74,089
Net adjustment for expenditure accruals	(244,465)
Net adjustment for other sources/uses	272,491
Funds budgeted elsewhere	3,780
Adjustment for encumbrances	424,855
GAAP basis	\$ 648,733

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the class play fund and the public school support fund.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	345,104
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(346,581)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (1,477)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 349,959
Other nonmajor governmental funds	<u>457,963</u>
 Total	 <u><u>\$ 807,922</u></u>

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

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

Board of Education
Fairfield Union Local School District
Lancaster, Ohio 43130

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America 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 the Fairfield Union Local School District, Fairfield County 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 November 8, 2013. We also noted the District adopted GASB Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*", GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*", GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*", GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*", and GASB Statement No. 66, "*Technical Corrections-2012*".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Fairfield Union Local School 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 misstatements. A *material weakness* is a deficiency, or a 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, unintended material weaknesses may exist.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairfield Union Local School 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 that we must report under *Government Auditing Standard*.

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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 8, 2013

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Education
Fairfield Union Local School District
Lancaster, Ohio 43130

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Fairfield Union Local School District's 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 each of the Fairfield Union Local School District's major federal programs for the year ended June 30, 2013. The Summary of Audit Results in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The Fairfield Union Local School 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 Fairfield Union Local School 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 program occurred. An audit includes examining, on a test basis, evidence about the Fairfield Union Local School District's compliance with these 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 programs. However, our audit does not provide a legal determination on the Fairfield Union Local School District's compliance.

Opinion

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

Report on Internal Control Over Compliance

The Fairfield Union Local School 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 Fairfield Union Local School 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 Fairfield Union Local School 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 the 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 and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 8, 2013

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Title VI-B; CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	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

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	101,730	-	101,730	-
National School Lunch Program	n/a	10.555	286,218	113,925	286,218	113,776
Total Nutrition Cluster			387,948	113,925	387,948	113,776
Total U.S. Department of Agriculture			387,948	113,925	387,948	113,776
<u>U.S. DEPARTMENT OF EDUCATION:</u>						
Pass through Ohio Department of Education						
Title I Cluster:						
Title I Educationally Deprived Children	046870C1S112	84.010	45,485	-	48,513	-
	046870C1S113		226,391	-	206,355	-
	046870C1SN12		1,982	-	2,450	-
	046870C1SN13		8,249	-	7,249	-
			282,107	-	264,567	-
Total Title I Cluster			282,107	-	264,567	-
Special Education Cluster:						
Title VI-B Special Education Assistance	046870BSF13	84.027	332,227	-	332,227	-
			332,227	-	332,227	-
Total Special Education Cluster			332,227	-	332,227	-
Improving Teacher Quality State Grant	046870TRS112	84.367	10,187	-	11,468	-
	046870TRS113		68,808	-	62,882	-
			78,995	-	74,350	-
Education Jobs Program	046870FY12	84.410	78,964	-	79,060	-
			78,964	-	79,060	-
Resident Educator Program	046870FY12	84.395	1,400	-	1,400	-
			1,400	-	1,400	-
Total U.S. Department of Education			773,693	-	751,604	-
Total Federal Awards Expenditures			1,161,641	113,925	1,139,552	113,776

See notes to Schedule of Federal Awards Expenditures.

**FAIRFIELD UNION LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTES B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require the District contribute non-Federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON
PROCEDURES**

Board of Education
Fairfield Union Local School District
Lancaster, Ohio 43130

To The Board of Education

Ohio Revised 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 were agreed to by the Board, solely to assist the Board in evaluating whether Fairfield Union Local School District has adopted its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agree-upon procedures 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 at its meeting on December 12, 2011 to include prohibiting harassment, intimidation, or bullying of any student “on a school bus” or by “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 attention and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
November 8, 2013



Dave Yost • Auditor of State

FAIRFIELD UNION LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2014**