



Dave Yost • Auditor of State

**FAIRFIELD CITY SCHOOL DISTRICT
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – June 30, 2014	15
Statement of Activities – For the Fiscal Year Ended June 30, 2014	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Net Position – Proprietary Funds	21
Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Net Position – Fiduciary Fund.....	24
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	25
Notes to the Basic Financial Statements	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	50
Notes to the Required Supplementary Information.....	51
Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2014	53
Notes to the Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2014	54
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55

**FAIRFIELD CITY SCHOOL DISTRICT
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	57
Schedule of Findings.....	59



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Fairfield City School District
Butler County
4641 Bach Lane
Fairfield, Ohio 45014

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Fairfield City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2014, 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, the business-type activities, the major fund, and the aggregate remaining fund information of Fairfield City School District, Butler County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling 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 our report dated January 30, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2015

This page intentionally left blank.

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of Fairfield City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position of governmental activities increased \$11,836,856 which represents a 27% increase from 2013.
- General revenues accounted for \$78,634,464 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$16,249,611 or 17% of total revenues of \$94,884,075.
- The District had \$83,047,219 in expenses related to governmental activities; \$16,249,611 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues of \$78,634,464 were also used to provide for these programs.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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. The General Fund is the only major fund of the District.

Government-wide Financial Statements

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 questions, "How did we do financially during 2014?" The Government-wide Financial Statements answers this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

These two statements report the District's *net position* and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. 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 Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds begins on the balance sheet. 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.

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* that can readily be converted to cash. The governmental fund 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 financial statements.

Proprietary Funds The District maintains one proprietary internal service 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 self insurance of the District's workers' compensation benefits.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

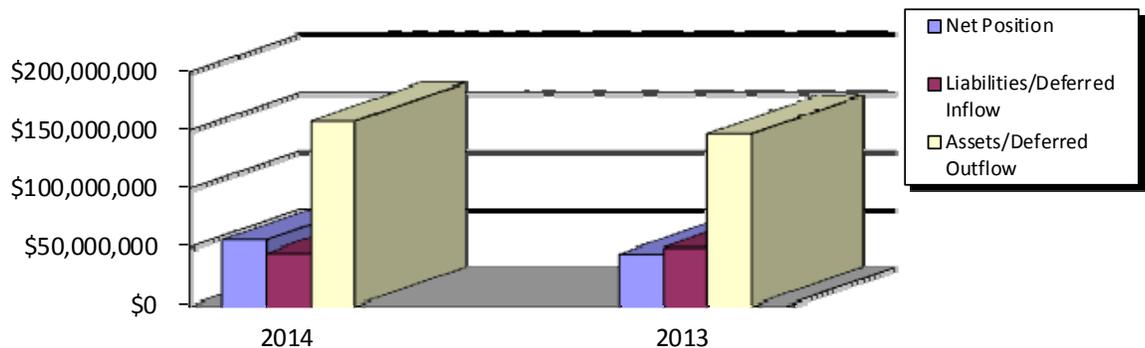
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013:

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2014	2013 Restated
Assets:		
Current and Other Assets	\$95,369,547	\$85,742,779
Capital Assets	62,661,756	61,161,928
Total Assets	158,031,303	146,904,707
Liabilities:		
Other Liabilities	9,606,580	10,333,356
Long-Term Liabilities	35,640,587	39,395,469
Total Liabilities	45,247,167	49,728,825
Total Deferred Inflows of Resources	56,491,397	52,719,999
Net Position:		
Net Investment in Capital Assets	33,938,588	33,323,324
Restricted	3,137,835	1,397,573
Unrestricted	19,216,316	9,734,986
Total Net Position	\$56,292,739	\$44,455,883



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$56,292,739.

At year-end, capital assets represented 40% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2014, was \$33,938,588. 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.

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

A portion of the District's net position, \$3,137,835 represents resources that are subject to external restriction on how they must be used.

Net position of governmental activities increased \$11,836,856 from 2013 to 2014. Current assets increased from 2013 to 2014 mainly due to an increase in cash and investments and taxes receivable. Total liabilities decreased from 2013 to 2014 due to the District decreasing their long-term debt by making timely principal payments.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013 Restated
Revenues:		
Program Revenues		
Charges for Services and Sales	\$5,833,931	\$5,443,048
Operating Grants and Contributions	10,415,680	9,297,917
General Revenues		
Property Taxes	47,330,333	47,715,049
Grants and Entitlements not Restricted to Specific Programs	29,016,868	28,220,794
Other	<u>2,287,263</u>	<u>2,284,064</u>
Total Revenues	<u>94,884,075</u>	<u>92,960,872</u>
Program Expenses		
Instruction	49,993,968	46,940,159
Support Services:		
Pupil and Instructional Staff	5,224,100	9,466,486
School Administrative, General		
Administration, Fiscal and Business	8,642,209	7,902,968
Operations and Maintenance	5,778,903	5,588,661
Pupil Transportation	6,059,192	5,757,806
Central	123,655	117,471
Operation of Non-Instructional Services	4,859,120	4,851,628
Extracurricular Activities	1,482,084	1,575,357
Interest and Fiscal Charges	<u>883,988</u>	<u>1,237,214</u>
Total Program Expenses	<u>83,047,219</u>	<u>83,437,750</u>
Change in Net Position	11,836,856	9,523,122
Net Position - Beginning of Year	<u>\$44,455,883</u>	<u>\$34,932,761</u>
Net Position - End of Year	<u>\$56,292,739</u>	<u>\$44,455,883</u>

Fairfield City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Of the total governmental activities revenues of \$94,884,075, \$16,249,611 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the students. Of those general revenues, \$47,330,333 (60%) comes from property tax levies and \$29,016,868 (37%) is from state funding. This District’s operations are reliant upon its property tax levy and the state’s foundation program.

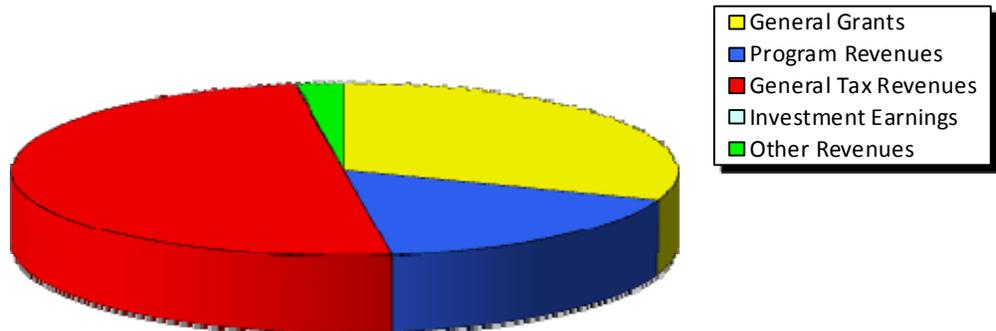
The District revenues are mainly from two sources. Property taxes levied for general and debt service purposes and unrestricted grants and entitlements comprised 80% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property taxes made up 50% of revenue for governmental activities for the District in fiscal year 2014.

Governmental Activities
Revenue Sources

		<u>Percentage</u>
General Grants	\$29,016,868	30.58%
Program Revenues	16,249,611	17.12%
General Tax Revenues	47,330,333	49.88%
Investment Earnings	72,643	0.09%
Other Revenues	<u>2,214,620</u>	<u>2.33%</u>
Total Revenue Sources	<u>\$94,884,075</u>	<u>100.00%</u>



Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Instruction comprises 60% of governmental program expenses. Support services expenses were 31% of governmental program expenses. All other program expenses including interest expense were 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Program revenue increased in 2014 compared to 2013 mainly due to the increase in operating grants and contributions revenue. Instruction, pupil and instructional staff expenses decreased over the prior year due to continued cost cutting efforts by the District.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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 entitlementments.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$49,993,968	\$46,940,159	(\$40,544,928)	(\$39,366,651)
Support Services:				
Pupil and Instructional Staff	5,224,100	9,466,486	(4,473,176)	(8,467,925)
School Administrative, General				
Administration, Fiscal and Business	8,642,209	7,902,968	(8,400,475)	(7,613,087)
Operations and Maintenance	5,778,903	5,588,661	(5,722,062)	(5,536,466)
Pupil Transportation	6,059,192	5,757,806	(5,748,064)	(5,492,275)
Central	123,655	117,471	(123,655)	(117,471)
Operation of Non-Instructional Services	4,859,120	4,851,628	84,429	318,968
Extracurricular Activities	1,482,084	1,575,357	(985,689)	(1,184,664)
Interest and Fiscal Charges	883,988	1,237,214	(883,988)	(1,237,214)
Total Expenses	<u>\$83,047,219</u>	<u>\$83,437,750</u>	<u>(\$66,797,608)</u>	<u>(\$68,696,785)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$85,732,036 (90%) of the total \$95,509,165 governmental funds' assets.

General Fund: Fund balance at June 30, 2014 was \$24,705,074, an increase in fund balance of \$6,756,793 from 2013. The primary reason for the increase in fund balance was the increase in intergovernmental revenues.

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 City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

During the course of fiscal year 2014, the District amended its general fund budget at times. The District’s budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the final budgeted revenue was \$81,789,778 and the original budgeted revenue was \$77,301,254. The difference was \$4,488,524, mostly due to underestimates in taxes and intergovernmental revenue. The final budgeted expenditures were \$77,335,030 and the original budgeted expenditures were \$76,935,742. The difference was \$399,288.

The District’s final budgeted revenue and expenditures when compared to the actual revenue and expenditures did not have any variances. The District’s ending unobligated actual fund balance for the General fund was \$27,514,473.

Capital Assets and Long-Term Obligations

Capital Assets

At the fiscal year end, the District had \$62,661,756 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$3,803,351	\$3,803,351
Buildings and Improvements	55,098,042	55,558,419
Equipment	3,760,363	1,800,158
Total Net Capital Assets	<u>\$62,661,756</u>	<u>\$61,161,928</u>

Overall, capital assets increased due to additions being more than depreciation expense.

See note 6 in the notes to the basic financial statements for further details on the District’s capital assets.

Long-Term Obligations

At June 30, 2014, the District had \$28,723,168 in bonds and capital leases outstanding, \$3,528,707 due within one year. Table 5 summarizes bonds and capital leases outstanding.

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2014	2013
General Obligation Bonds:		
1994 School Improvement I	\$600,000	\$1,200,000
2001 Refund Capital Appreciation Bonds - Principal	0	228,100
2001 Refund Capital Appreciation Bonds - Accreted Interest	0	1,866,821
2012 Refunding of 1994 School Improvement Bonds	20,565,000	20,565,000
Premium on 2012 Refunding	1,263,656	1,444,178
2011 HB 264 Bond	2,376,965	2,556,785
2011 Cooling Project	1,231,700	1,324,880
Capital Leases	2,685,847	3,079,389
Total Bonds and Capital Lease	<u>\$28,723,168</u>	<u>\$32,265,153</u>

See notes 7 and 9 in the notes to the basic financial statements for further details on the District's outstanding debt.

For the Future

The Ohio Department of Education explains the school funding model in Ohio as follows:

The funding of K-12 public schools in Ohio is a joint effort between the state and local school districts. Since the 1970s through FY 2009, with the exception of a few years, Ohio's funding formula was foundation based by means of which a per pupil amount determined by the General Assembly as the per-pupil resource for provision of a basic adequate education was multiplied by the number of pupils to determine the base funding of the school districts. From this product, the local share of the basic adequate amount or the charge off was subtracted to arrive at the state share of the base funding. Additional funding was also provided for services targeted to categories of pupils such as handicapped, vocational, gifted, and economically disadvantaged as well as some adjustments and funding guarantees.

The 2010-11 biennial budget (Am. Sub. H.B. 1 of the 128th General Assembly), established a new funding formula called the Evidence-Based Model (EBM). Am. Sub. H.B. 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula for the 2012-13 biennial budget as a new school funding formula is developed. The temporary formula is called the Bridge formula.

Fairfield remains concerned about the instability of the state and local economy and the political ramifications of a new funding model.

Management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 Nancy Lane, Treasurer/CFO at Fairfield City School District, 4641 Bach Lane, Fairfield, Ohio 45014.

This Space Intentionally Left Blank

This page intentionally left blank.

Fairfield City School District, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$34,776,239
Restricted Cash and Investments	243,479
Receivables (Net):	
Taxes	57,534,827
Accounts	453,926
Interest	25,865
Intergovernmental	2,298,516
Inventory	36,695
Nondepreciable Capital Assets	3,803,351
Depreciable Capital Assets, Net	<u>58,858,405</u>
 Total Assets	 <u>158,031,303</u>
Liabilities:	
Accounts Payable	991,046
Accrued Wages and Benefits	8,049,675
Contracts Payable	341,797
Retainage Payable	39,636
Accrued Interest Payable	78,277
Claims Payable	106,149
Long-Term Liabilities:	
Due Within One Year	3,969,033
Due In More Than One Year	<u>31,671,554</u>
 Total Liabilities	 <u>45,247,167</u>
Deferred Inflows of Resources:	
Property Taxes	55,177,042
Grants and Other Taxes	<u>1,314,355</u>
 Total Deferred Inflows of Resources	 <u>56,491,397</u>
Net Position:	
Net Investment in Capital Assets	33,938,588
Restricted for:	
Debt Service	2,383,763
Capital Projects	85,756
Local Grants	108,479
Extracurricular	185,073
Federal Grants	344,843
Other Purposes	29,921
Unrestricted	<u>19,216,316</u>
 Total Net Position	 <u>\$56,292,739</u>

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$33,393,972	\$2,203,217	\$343,126	(\$30,847,629)
Special	13,189,321	794,251	5,588,170	(6,806,900)
Other	3,410,675	0	520,276	(2,890,399)
Support Services:				
Pupil	3,517,167	658	227,293	(3,289,216)
Instructional Staff	1,706,933	524	522,449	(1,183,960)
General Administration	8,060	0	0	(8,060)
School Administration	7,188,175	0	241,734	(6,946,441)
Fiscal	1,197,542	0	0	(1,197,542)
Business	248,432	0	0	(248,432)
Operations and Maintenance	5,778,903	56,841	0	(5,722,062)
Pupil Transportation	6,059,192	205	310,923	(5,748,064)
Central	123,655	0	0	(123,655)
Operation of Non-Instructional Services	4,859,120	2,281,840	2,661,709	84,429
Extracurricular Activities	1,482,084	496,395	0	(985,689)
Interest and Fiscal Charges	883,988	0	0	(883,988)
Totals	\$83,047,219	\$5,833,931	\$10,415,680	(66,797,608)

General Revenues:

Property Taxes Levied for:

General Purposes	44,072,843
Debt Service Purposes	3,257,490
Grants and Entitlements, Not Restricted	29,016,868
Revenue in Lieu of Taxes	1,543,517
Investment Earnings	72,643
Other Revenues	671,103

Total General Revenues 78,634,464

Change in Net Position 11,836,856

Net Position - Beginning of Year, Restated 44,455,883

Net Position - End of Year \$56,292,739

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$31,397,263	\$3,171,157	\$34,568,420
Restricted Cash and Investments	243,479	0	243,479
Receivables (Net):			
Taxes	52,311,554	5,223,273	57,534,827
Accounts	92,198	361,728	453,926
Interest	25,750	115	25,865
Intergovernmental	1,314,355	984,161	2,298,516
Interfund	347,437	0	347,437
Inventory	0	36,695	36,695
Total Assets	85,732,036	9,777,129	95,509,165
Liabilities:			
Accounts Payable	844,676	146,370	991,046
Accrued Wages and Benefits	7,348,089	701,586	8,049,675
Compensated Absences	221,327	3,993	225,320
Contracts Payable	341,797	0	341,797
Retainage Payable	39,636	0	39,636
Interfund Payable	0	347,437	347,437
Total Liabilities	8,795,525	1,199,386	9,994,911
Deferred Inflows of Resources:			
Property Taxes	50,917,082	5,126,331	56,043,413
Grants and Other Taxes	1,314,355	965,792	2,280,147
Unavailable Revenue	0	350,000	350,000
Total Deferred Inflows of Resources	52,231,437	6,442,123	58,673,560
Fund Balances:			
Restricted	0	2,754,767	2,754,767
Assigned	2,481,803	0	2,481,803
Unassigned	22,223,271	(619,147)	21,604,124
Total Fund Balances	24,705,074	2,135,620	26,840,694
Total Liabilities, Deferred Inflows and Fund Balances	\$85,732,036	\$9,777,129	\$95,509,165

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance \$26,840,694

Amounts reported for governmental activities in the
 statement of net position are different because:

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 62,661,756

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	866,371	
Intergovernmental	965,792	
Other Receivables	350,000	
		2,182,163

An internal service fund is used by management to charge
 back costs to individual funds. The assets and
 liabilities of the internal service fund are included in
 governmental activities in the statement of net position.

Internal Service Net Position 101,670

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources.

(78,277)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences	(6,418,421)	
Workers Compensation Retro Claim Loss	(273,678)	
		(6,692,099)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds.

(28,723,168)

Net Position of Governmental Activities

\$56,292,739

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$44,292,199	\$3,278,841	\$47,571,040
Tuition and Fees	2,981,911	0	2,981,911
Investment Earnings	71,419	1,224	72,643
Intergovernmental	32,455,589	6,598,726	39,054,315
Extracurricular Activities	259,925	273,828	533,753
Charges for Services	628,633	1,689,633	2,318,266
Revenue in Lieu of Taxes	1,543,517	0	1,543,517
Other Revenues	546,296	234,809	781,105
Total Revenues	82,779,489	12,077,061	94,856,550
Expenditures:			
Current:			
Instruction:			
Regular	32,491,021	359,727	32,850,748
Special	10,219,173	2,504,635	12,723,808
Other	3,410,675	0	3,410,675
Support Services:			
Pupil	3,383,028	199,843	3,582,871
Instructional Staff	1,576,965	551,801	2,128,766
General Administration	8,060	0	8,060
School Administration	6,707,438	236,248	6,943,686
Fiscal	1,150,595	35,378	1,185,973
Business	245,941	0	245,941
Operations and Maintenance	5,821,896	14,222	5,836,118
Pupil Transportation	8,149,025	32,446	8,181,471
Central	119,231	0	119,231
Operation of Non-Instructional Services	515,980	4,325,773	4,841,753
Extracurricular Activities	1,232,633	390,864	1,623,497
Capital Outlay	271,506	6,380	277,886
Debt Service:			
Principal Retirement	282,816	1,211,826	1,494,642
Interest and Fiscal Charges	59,632	2,875,845	2,935,477
Total Expenditures	75,645,615	12,744,988	88,390,603
Excess of Revenues Over (Under) Expenditures	7,133,874	(667,927)	6,465,947
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	300	0	300
Transfers In	0	377,381	377,381
Transfers (Out)	(377,381)	0	(377,381)
Total Other Financing Sources (Uses)	(377,081)	377,381	300
Net Change in Fund Balance	6,756,793	(290,546)	6,466,247
Fund Balance - Beginning of Year	17,948,281	2,426,166	20,374,447
Fund Balance - End of Year	\$24,705,074	\$2,135,620	\$26,840,694

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds		\$6,466,247
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.</p>		
Capital assets used in governmental activities	3,709,557	
Depreciation Expense	<u>(2,059,002)</u>	1,650,555
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.</p>		
		(150,727)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Delinquent Property Taxes	(240,707)	
Intergovernmental	378,232	
Other	<u>(110,000)</u>	27,525
<p>Repayment of bond and lease principal and accretion is an expenditure governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		3,561,542
<p>In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.</p>		
		4,146
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences	98,327	
Workers Compensation Retro Claim Loss	82,784	
Amortization of Bond Premium	180,522	
Bond Accretion	<u>(200,079)</u>	161,554
<p>The internal service fund used by management to charge back costs to individual funds is not reported in the entity-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.</p>		
Change in Net Position - Internal Service Funds		<u>116,014</u>
Change in Net Position of Governmental Activities		<u>\$11,836,856</u>
<p>See accompanying notes to the basic financial statements.</p>		

Fairfield City School District, Ohio
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Governmental Activities- Internal Service Funds</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$207,819</u>
Total Assets	<u>207,819</u>
Liabilities:	
Claims Payable	<u>106,149</u>
Total Liabilities	<u>106,149</u>
Net Position:	
Unrestricted	<u>101,670</u>
Total Net Position	<u>\$101,670</u>

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities- Internal Service Funds</u>
Operating Revenues:	
Charges for Services	<u>\$300,000</u>
Total Operating Revenues	<u>300,000</u>
Operating Expenses:	
Claims Expense	<u>183,986</u>
Total Operating Expenses	<u>183,986</u>
Change in Net Position	116,014
Net Position - Beginning of Year	<u>(14,344)</u>
Net Position - End of Year	<u><u>\$101,670</u></u>

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	\$300,000
Cash Payments for Claims	<u>(187,367)</u>
Net Cash Provided (Used) by Operating Activities	<u>112,633</u>
Net Increase (Decrease) in Cash and Cash Equivalent	112,633
Cash and Cash Equivalents - Beginning of Year	<u>95,186</u>
Cash and Cash Equivalents - End of Year	<u>207,819</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	116,014
Changes in Assets & Liabilities:	
Increase (Decrease) in Claims Payables	<u>(3,381)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$112,633</u>

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$9,545	\$346,075
Receivables (Net):		
Accounts	0	785
Interest	<u>1</u>	<u>0</u>
Total Assets	<u>9,546</u>	<u>346,860</u>
Liabilities:		
Accounts Payable	0	51,862
Other Liabilities	<u>0</u>	<u>294,998</u>
Total Liabilities	<u>0</u>	<u>\$346,860</u>
Net Position:		
Held in Trust	<u>9,546</u>	
Total Net Position	<u>\$9,546</u>	

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions:	
Investment Earnings	\$12
Other	2,069
Total Additions	<u>2,081</u>
Deductions:	
Scholarships	<u>1,140</u>
Total Deductions	<u>1,140</u>
Change in Net Position	941
Net Position - Beginning of Year	<u>8,605</u>
Net Position - End of Year	<u><u>\$9,546</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the District

The Fairfield City School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 410 non-certificated personnel and approximately 603 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 19th largest in the State of Ohio (among 613 Districts) in terms of enrollment (ADM) and the 2nd largest in Butler County. It currently operates 5 elementary schools (serving grades Preschool - 4), 1 intermediate school (serving grades 5-6), 1 middle school (serving grades 7 - 8), 1 freshman school (serving grade 9), and 1 comprehensive high school (serving grades 10 - 12). The District services an area of 38 square miles.

Reporting Entity

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards and agencies that are not legally separate from 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District has no component units.

Note 2 - Summary of Significant Accounting Policies

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 most significant of the District's accounting policies are described below.

Measurement Focus

Government-wide Financial Statements

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

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in government-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program 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 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 governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Funds

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

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for 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.

Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. 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 internal service fund of the District accounts for a self-insurance program which provides workers' compensation 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 custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds. The agency fund (student activities) is used to account for assets and liabilities generated by student managed activities. The fund accounts for sales and other revenue generating activities by student activity programs, which have students involved in the management of the program. The agency fund (unclaimed monies) is used to account for funds that belong to others as a result of outstanding checks over one year old. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected 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, included property taxes, tax increment financing, grants, entitlements and donations. On an accrual basis, revenue from property taxes and TIF's is recognized in the fiscal year for which the taxes are levied. 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 year end: property taxes available for advance, grants and interest.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants and other taxes (which includes tax incremental financing 'TIF'). Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2014 credited to the General Fund amounted to \$71,419 and \$1,224 credited to Other Governmental Funds.

For purposes of the statement of cash flows, the internal service portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the internal service funds without prior notice or penalty.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

Inventory consists of donated food.

Capital Assets

General capital 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 maintains a capitalization threshold of one thousand dollars (\$1,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 50 years
Equipment	5 - 10 years

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	Not Eligible	10-25 days for each Service year depending on length of service.
Maximum Accumulation	Not Applicable	Not Applicable	25 days
Vested	Not Applicable	Not Applicable	As Earned
Termination Entitlement	Not Applicable	Not Applicable	Paid upon Termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	330 days according to bargaining agreements	360 days	330 days according to bargaining agreements

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their 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 District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District’s \$3,137,835 in restricted net position, none was restricted by enabling legislation.

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Position.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Education. Formal action by the Board of Education is needed to commit or rescind resources.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenditures for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

Estimates

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

Restricted Assets

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish a budget stabilization reserve as well as capital lease proceeds not spent.

Note 3 - Equity in Pooled Cash 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 combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests 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, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2014, \$11,838,296 of the District's bank balance of \$12,338,296 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2014, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$814,708	0.00
Federal Home Loan Bank	5,963,611	2.14
Federal National Mortgage Association	6,106,894	2.77
Federal Home Loan Mortgage	3,661,146	2.20
Federal Farm Credit Bank	1,824,656	1.91
Federal Home Loan Bank - Discount Note	1,799,597	0.37
Federal Home Loan Mortgage - Discount Note	600,000	0.00
US Treasury Notes	2,472,418	2.05
	<u>\$23,243,030</u>	
Portfolio Weighted Average Maturity		2.02

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. Money Market Funds are not rated.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 4% of the District's investments in Money Market Funds, 25% in Federal Home Loan Bank, 26% in Federal National Mortgage Association, 16% in Federal Home Loan Mortgage, 8% in Federal Home Loan Bank - Discount Note, 2% in Federal Home Loan Mortgage – Discount Note, 8% in Federal Farm Credit Bank, and 11% in U.S. Treasury Notes.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 investments or collateral securities that are in the possession of an outside party. All of the District's securities are registered in the name of the District.

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Butler 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, 2014, are available to finance fiscal year 2014 operations. The amount available for advance can vary based on the date the tax bills are sent.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2014. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2014 on the fund statements. The entire amount of delinquent taxes receivable is recognized as a revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2014, was \$1,394,472 for General Fund, \$96,942 for Other Governmental Funds, and is recognized as revenue.

The assessed value, by property classification, upon which taxes collected in 2014 were based as follows:

	Amount
Public Utility	\$42,002,890
Real Estate	1,327,909,400
Total	<u>\$1,369,912,290</u>

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (rent and student fees), intergovernmental, interest and interfund. 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 intergovernmental receivables follows:

Governmental Funds:	<u>Amounts</u>
General Fund	\$1,314,355
Other Governmental Funds:	
School Security	8,773
Title VI B Pre-School	351,775
Title III	85,455
Title I	381,515
Race to the Top	96,510
Pre-School Disabilities	7,963
Title II-A	<u>52,170</u>
Total	<u><u>\$2,298,516</u></u>

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$3,803,351	\$0	\$0	\$3,803,351
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	74,319,748	629,341	260,531	74,688,558
Equipment	<u>21,765,411</u>	<u>3,080,216</u>	<u>2,533,065</u>	<u>22,312,562</u>
Totals at Historical Cost	<u>99,888,510</u>	<u>3,709,557</u>	<u>2,793,596</u>	<u>100,804,471</u>
Less Accumulated Depreciation:				
Buildings and Improvements	18,761,329	943,661	114,474	19,590,516
Equipment	<u>19,965,253</u>	<u>1,115,341</u>	<u>2,528,395</u>	<u>18,552,199</u>
Total Accumulated Depreciation	<u>38,726,582</u>	<u>2,059,002</u>	<u>2,642,869</u>	<u>38,142,715</u>
Governmental Activities Capital Assets, Net	<u><u>\$61,161,928</u></u>	<u><u>\$1,650,555</u></u>	<u><u>\$150,727</u></u>	<u><u>\$62,661,756</u></u>

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$672,653
Special	144,676
Other	330,509
Support Services:	
Pupil	46,667
Instructional Staff	30,396
School Administration	18,974
Fiscal	2,517
Business	2,833
Operations and Maintenance	79,669
Pupil Transportation	631,973
Central	4,424
Operation of Non-Instructional Services	79,521
Extracurricular Activities	14,190
Total Depreciation Expense	<u><u>\$2,059,002</u></u>

Note 7 - Long-Term Liabilities

The change in the District's long-term obligations during the year consist of the following:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
Bonds:						
1994 School Improvement I	7.3157%	\$1,200,000	\$0	\$600,000	\$600,000	\$600,000
2001 School Improvement						
Principal	4.65-4.85%	228,100	0	228,100	0	0
Accreted Interest		1,866,821	200,079	2,066,900	0	0
2012 Refunding of 1994 School Improvement Bonds	1.5-5.0%	20,565,000	0	0	20,565,000	2,300,000
Premium on 2012 Refunding		1,444,178	0	180,522	1,263,656	0
2011 HB 264 Bond	5.3800%	2,556,785	0	179,820	2,376,965	184,431
2011 Cooling Project	0.9000%	1,324,880	0	93,180	1,231,700	95,569
Total Bonds		29,185,764	200,079	3,348,522	26,037,321	3,180,000
Capital Leases		3,079,389	0	393,542	2,685,847	348,707
Total Long Term Debt		32,265,153	200,079	3,742,064	28,723,168	3,528,707
Compensated Absences		6,773,854	223,764	353,877	6,643,741	368,326
Retro Claim Loss Premium		356,462	0	82,784	273,678	72,000
Total Governmental Activities		<u><u>\$39,395,469</u></u>	<u><u>\$423,843</u></u>	<u><u>\$4,178,725</u></u>	<u><u>\$35,640,587</u></u>	<u><u>\$3,969,033</u></u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid (usually general and special revenue funds). Capital lease obligations will be paid from the general fund and the extracurricular student activities fund.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The following is a summary of the District's future annual debt service requirements for general obligations:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2015	\$3,180,000	\$879,955	\$4,059,955
2016	3,035,665	775,278	3,810,943
2017	3,140,000	683,805	3,823,805
2018	3,235,000	578,865	3,813,865
2019	3,410,000	450,575	3,860,575
2020-2024	8,158,000	670,848	8,828,848
2025-2026	615,000	33,114	648,114
Total	<u>\$24,773,665</u>	<u>\$4,072,440</u>	<u>\$28,846,105</u>

Note 8 - Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2014, \$28.295 million of bonds outstanding are considered defeased.

Note 9 - Capital Leases

The District in prior years has entered into a capital lease for copiers. In the current year the District entered into capital leases for stadium turf and buses.

The leases for the copiers, stadium turf and buses meet the criteria of capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the General Fund for the copiers and buses and the Extracurricular Student Activities Fund for the stadium turf.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year Ending June 30	Principal
2015	\$409,553
2016	409,551
2017	409,550
2018	299,834
2019	289,860
2020-2023	1,159,439
Total Minimum Lease Payments	<u>\$2,977,787</u>
Amount Representing Interest	<u>(291,940)</u>
Present Value of Minimum Lease Payments	<u>\$2,685,847</u>

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Capital assets acquired under capital leases are as follows:

Equipment	\$404,520
Stadium turf	567,000
Vehicles	2,559,300

Note 10 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$1,872,648, \$1,912,008, and \$2,045,640, respectively; contributions equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$4,782,984, \$4,927,200, and \$5,362,812, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 11- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was .74%. District contributions for the years ended June 30, 2014, 2013 and 2012 were \$98,983, \$101,063, and \$109,588, respectively, which equaled the required contributions each year.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2013, the health care allocation was .16%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$21,402, \$21,852, and \$80,364, respectively.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$341,642, \$351,943, and \$383,058, 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 12 - Contingent Liabilities

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2014.

Litigation

The District is not currently involved in any lawsuits. District management estimates that all other potential claims, not covered by insurance of the District, resulting from all other litigation would not materially affect the financial statements of the District.

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 the fiscal year, the District contracted with Liberty Mutual for property and general liability insurance and boiler and machinery insurance.

General liability is protected by Liberty Mutual with \$1,000,000 each occurrence, \$2,000,000 aggregate limit. Vehicles are covered by Liberty Mutual with a \$500 deductible. Public officials bond insurance is provided by Brower Insurance Company. The Treasurer is covered by a bond in the amount of \$20,000. The District has elected to provide employee medical and dental benefits through Butler Health Plan. The employees share the cost of the monthly premium for the coverage with the Board.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Beginning in January 2011, the District began to self-insure its workers' compensation costs. Expenses for claims are recorded on the current basis based on an actuarially determined charge per employee. The District accounts for the activities of this program in an internal service fund in accordance with GASB Statement No. 10. A summary of the changes in self-insurance workers' compensation claims liability is as follows:

	<u>2014</u>	<u>2013</u>
Claims Liability at Beginning of Year	\$109,530	\$74,597
Claims Incurred	183,986	301,925
Claims Paid	<u>(187,367)</u>	<u>(266,992)</u>
Claims Liability at End of Year	<u>\$106,149</u>	<u>\$109,530</u>

Note 14 - Jointly Governed Organizations

Southwestern Ohio Computer Association

Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is a council of governments that is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 34 school districts.

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of two representatives from the participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Butler Technology and Career Development School is not part of the District and its operations are not included as part of the reporting entity.

Note 15 – Accountability

The following funds had a deficit in fund balance:

<u>Other Governmental Funds:</u>	
School Security	\$10,713
Title VI B Pre-School	220,253
Title III	48,602
Pre-School Disabilities	8,848
Extracurricular Student Activities	164,927
Title I	158,196
Title II-A	7,608

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The deficits in fund balance were primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide transfers when cash is required not when accruals occur.

Note 16 - Statutory Reserves

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

For fiscal year ended June 30, 2014, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	Capital Acquisition	Budget Stabilization
Set Aside Reserve Balance as of June 30, 2013	\$0	\$203,843
Current Year Set Aside Requirements	1,655,302	0
Qualified Disbursements	(1,819,027)	0
Current Year Offsets	0 *	0
Set Aside Reserve Balance as of June 30, 2014	<u>(\$163,725)</u>	<u>\$203,843</u>
Restricted Cash as of June 30, 2014	<u>\$0</u>	<u>\$203,843</u>

* - is a carryforward from prior years that can be used as the eligible amount to be used as a current year offsets. \$59,237 was used as the eligible offset for FY09, \$0 for FY10, \$131,981 for FY11, \$345,672 for FY12, \$381,875 for FY13 and \$0 for FY 14. \$29,445,431 will be the offset carryforward for FY15.

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for capital acquisition. For capital acquisition, the negative amount was a result of a bond issuance, which will be used to offset set-aside requirements in future years.

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2014, the Board had not acted on the Senate Bill requirements to eliminate the reserve balance.

Note 17 - Interfund Transactions

Interfund transactions at June 30, 2014, consisted of the following interfund receivables and interfund payables and transfers in and transfers out:

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$347,437	\$0	\$0	\$377,381
Other Governmental Funds	0	347,437	377,381	0
Total All Funds	\$347,437	\$347,437	\$377,381	\$377,381

Interfund balance/transfers are used to 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 unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 18 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
Restricted for:			
Spring Recognition	\$0	\$29,858	\$29,858
Auxiliary Services	0	177,559	177,559
SchoolNet Professional Development	0	63	63
Race To The Top	0	18,786	18,786
Food Service	0	26,678	26,678
Debt Service	0	2,416,067	2,416,067
Permanent Improvement	0	85,756	85,756
Total Restricted	0	2,754,767	2,754,767
Assigned to:			
Public School Support	366,567	0	366,567
Encumbrances	2,115,236	0	2,115,236
Total Assigned	2,481,803	0	2,481,803
Unassigned (Deficit)	22,223,271	(619,147)	21,604,124
Total Fund Balance	\$24,705,074	\$2,135,620	\$26,840,694

Note 19 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 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

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

Note 20 – Prior Period Adjustment

In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period's net position as follows:

	<u>Governmental Activities</u>
Net Position - June 30, 2013	\$44,708,328
Prior Period Adjustment:	
Bond Issuance Costs	(252,445)
Restated Net Position - June 30, 2013	<u><u>\$44,455,883</u></u>

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$42,298,705	\$44,754,795	\$44,754,795	\$0
Payments in lieu of taxes	1,458,811	1,543,517	1,543,517	0
Tuition and Fees	2,287,086	2,419,886	2,419,886	0
Investment Earnings	30,293	32,052	32,052	0
Intergovernmental	30,674,465	32,455,589	32,455,589	0
Extracurricular Activities	171,517	181,476	181,476	0
Charges for Services	53,722	56,841	56,841	0
Other Revenues	326,655	345,622	345,622	0
Total Revenues	77,301,254	81,789,778	81,789,778	0
Expenditures:				
Current:				
Instruction:				
Regular	32,439,632	32,607,990	32,607,990	0
Special	10,038,169	10,090,266	10,090,266	0
Other	3,488,221	3,506,324	3,506,324	0
Support Services:				
Pupil	3,271,137	3,288,114	3,288,114	0
Instructional Staff	2,426,654	2,439,248	2,439,248	0
General Administration	9,808	9,859	9,859	0
School Administration	6,711,284	6,746,115	6,746,115	0
Fiscal	1,145,056	1,150,999	1,150,999	0
Business	254,261	255,581	255,581	0
Operations and Maintenance	6,818,761	6,854,150	6,854,150	0
Pupil Transportation	8,635,819	8,680,638	8,680,638	0
Central	118,938	119,555	119,555	0
Extracurricular Activities	1,226,070	1,232,433	1,232,433	0
Capital Outlay	351,932	353,758	353,758	0
Total Expenditures	76,935,742	77,335,030	77,335,030	0
Excess of Revenues Over (Under) Expenditures	365,512	4,454,748	4,454,748	0
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	284	300	300	0
Advances In	669,036	707,884	707,884	0
Advances (Out)	(447,892)	(450,217)	(450,217)	0
Transfers In	509,591	539,181	539,181	0
Transfers (Out)	(1,210,281)	(1,216,562)	(1,216,562)	0
Total Other Financing Sources (Uses)	(479,262)	(419,414)	(419,414)	0
Net Change in Fund Balance	(113,750)	4,035,334	4,035,334	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	23,479,139	23,479,139	23,479,139	0
Fund Balance End of Year	\$23,365,389	\$27,514,473	\$27,514,473	\$0

See accompanying notes to the required supplementary information.

Fairfield City School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2014

Note 1 - Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. During the course of fiscal 2014, the District amended its budget at several times.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2014.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as assigned to a fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

Fairfield City School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2014

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$6,756,793
Revenue Accruals	(996,339)
Expenditure Accruals	944,281
Transfers In	539,181
Transfers Out	(539,181)
Advances In	707,884
Advances Out	(450,217)
Encumbrances	(2,910,406)
Funds Budgeted Elsewhere	<u>(16,662)</u>
Budget Basis	<u><u>\$4,035,334</u></u>

This Space Intentionally Left Blank

**FAIRFIELD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2014	10.555	\$0	\$187,102	\$0	\$187,102
Cash Assistance:						
National School Breakfast Program	2014	10.553	261,661	0	261,661	0
National School Lunch Program	2014	10.555	1,314,580	0	1,314,580	0
Total Child Nutrition Cluster			<u>1,576,241</u>	<u>187,102</u>	<u>1,576,241</u>	<u>187,102</u>
Total U.S. Department of Agriculture			<u>1,576,241</u>	<u>187,102</u>	<u>1,576,241</u>	<u>187,102</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education						
Special Education Cluster:						
Special Education Grants to States	2014	84.027	1,683,571	0	1,647,516	0
Special Education Grants to States	2013	84.027	410,657	0	383,629	0
Total Special Education Grants to States			<u>2,094,228</u>	<u>0</u>	<u>2,031,145</u>	<u>0</u>
Special Education - Preschool Grants	2014	84.173	23,587	0	27,267	0
Special Education - Preschool Grants	2013	84.173	7,924	0	5,771	0
Total Special Education - Preschool Grants			<u>31,511</u>	<u>0</u>	<u>33,038</u>	<u>0</u>
Total Special Education Cluster			<u>2,125,739</u>	<u>0</u>	<u>2,064,183</u>	<u>0</u>
Title I Grants to Local Educational Agencies	2014	84.010	1,148,268	0	1,134,003	0
Title I Grants to Local Educational Agencies	2013	84.010	407,502	0	382,698	0
Total Title I Grants to Local Educational Agencies			<u>1,555,770</u>	<u>0</u>	<u>1,516,701</u>	<u>0</u>
ARRA - Title I Grants to Local Educational Agencies	2013	84.389	577	0	0	0
Improving Teacher Quality State Grants	2014	84.367	144,920	0	149,109	0
Improving Teacher Quality State Grants	2013	84.367	56,828	0	42,479	0
Total Improving Teacher Quality State Grants			<u>201,748</u>	<u>0</u>	<u>191,588</u>	<u>0</u>
Race to the Top	2014	84.395	151,224	0	144,780	0
Race to the Top	2013	84.395	38,378	0	15,318	0
Total Race to the Top			<u>189,602</u>	<u>0</u>	<u>160,098</u>	<u>0</u>
Title III - LEP	2014	84.365	67,822	0	107,815	0
Title III - LEP	2013	84.365	70,451	0	27,832	0
Total Title III - LEP			<u>138,273</u>	<u>0</u>	<u>135,647</u>	<u>0</u>
Safe and Drug Free Schools	2013	84.186	41,759	0	41,386	0
Total U.S. Department of Education			<u>4,253,468</u>	<u>0</u>	<u>4,109,603</u>	<u>0</u>
Total Federal Assistance			<u><u>\$5,829,709</u></u>	<u><u>\$187,102</u></u>	<u><u>\$5,685,844</u></u>	<u><u>\$187,102</u></u>

The accompanying notes are an integral part of this schedule.

**FAIRFIELD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Fairfield City School District
Butler County
4641 Bach Lane
Fairfield, Ohio 45014

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Fairfield City School District, Butler County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Fairfield City School District
Butler County
4641 Bach Lane
Fairfield, Ohio 45014

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Fairfield City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Fairfield City School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Fairfield City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2015

**FAIRFIELD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CDFA # 84.010 – Title I
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.



Dave Yost • Auditor of State

FAIRFIELD CITY SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2015**