



**FAIRFIELD LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**FAIRFIELD LOCAL SCHOOL DISTRICT  
HIGHLAND COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Fairfield Local School District  
Highland County  
200 South Street  
P.O. Box 347  
Leesburg, Ohio 45135

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Fairfield Local School District, Highland County, Ohio (the District), as of and for the fiscal year ended June 30, 2001 as listed in the table of contents. These general -purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairfield Local School District, Highland County, Ohio as of June 30, 2001, and the results of its operations and the cash flow of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

November 6, 2001

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*Fairfield Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$588,491	\$185,572	\$326,926	\$5,057,985
Receivables:				
Taxes	1,005,838	23,538	251,882	0
Intergovernmental	0	0	0	386,823
Accrued Interest	0	0	0	4,018
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	9,141	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	42,840	0	0	0
Cash and Cash Equivalents with Escrow Agents	0	0	0	248,368
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$1,646,310</u>	<u>\$209,110</u>	<u>\$578,808</u>	<u>\$5,697,194</u>



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$56,702	\$39,938	\$0	\$0	\$6,255,614
0	0	0	0	1,281,258
0	0	0	0	386,823
0	300	0	0	4,318
3,803	0	0	0	3,803
623	0	0	0	9,764
0	0	0	0	42,840
0	0	0	0	248,368
4,506	0	13,962,039	0	13,966,545
0	0	0	336,165	336,165
0	0	0	2,538,929	2,538,929
<u>\$65,634</u>	<u>\$40,238</u>	<u>\$13,962,039</u>	<u>\$2,875,094</u>	<u>\$25,074,427</u>

(continued)

**Fairfield Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001  
 (Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities,</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$7,811	\$8,408	\$0	\$0
Contracts Payable	0	0	0	544,924
Accrued Wages and Benefits	350,273	30,092	0	0
Compensated Absences Payable	13,156	0	0	0
Retainage Payable	0	0	0	248,368
Intergovernmental Payable	76,927	4,651	0	0
Deferred Revenue	971,119	22,674	242,643	369,413
Undistributed Monies	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>1,419,286</b>	<b>65,825</b>	<b>242,643</b>	<b>1,162,705</b>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	164,284	32,883	0	3,497,516
Reserved for Contributions	0	0	0	0
Reserved for Inventory	9,141	0	0	0
Reserved for Budget Stabilization	20,458	0	0	0
Reserved for Property Taxes	34,719	864	9,239	0
Reserved for Textbooks and Instructional Materials	4,135	0	0	0
Reserved for School Bus Purchases	18,247	0	0	0
Unreserved:				
Designated for Capital Acquisitions	34,842	0	0	0
Undesignated (Deficit)	(58,802)	109,538	326,926	1,036,973
<b>Total Fund Equity and Other Credits</b>	<b>227,024</b>	<b>143,285</b>	<b>336,165</b>	<b>4,534,489</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$1,646,310</b>	<b>\$209,110</b>	<b>\$578,808</b>	<b>\$5,697,194</b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$0	\$0	\$0	\$0	\$16,219
0	0	0	0	544,924
10,546	0	0	0	390,911
885	0	0	92,000	106,041
0	0	0	0	248,368
9,063	0	0	38,094	128,735
2,212	0	0	0	1,608,061
0	23,051	0	0	23,051
0	0	0	2,745,000	2,745,000
<u>22,706</u>	<u>23,051</u>	<u>0</u>	<u>2,875,094</u>	<u>5,811,310</u>
0	0	13,962,039	0	13,962,039
42,928	0	0	0	42,928
0	0	0	0	3,694,683
0	14,092	0	0	14,092
0	0	0	0	9,141
0	0	0	0	20,458
0	0	0	0	44,822
0	0	0	0	4,135
0	0	0	0	18,247
0	0	0	0	34,842
0	3,095	0	0	1,417,730
<u>42,928</u>	<u>17,187</u>	<u>13,962,039</u>	<u>0</u>	<u>19,263,117</u>
<u>\$65,634</u>	<u>\$40,238</u>	<u>\$13,962,039</u>	<u>\$2,875,094</u>	<u>\$25,074,427</u>

**Fairfield Local School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b><u>Revenues:</u></b>					
Property Taxes	\$971,933	\$22,482	\$240,555	\$0	\$1,234,970
Intergovernmental	2,956,384	293,522	25,234	7,857,521	11,132,661
Interest	72,574	0	0	510,301	582,875
Tuition and Fees	30,443	5,425	0	0	35,868
Rent	1,185	0	0	0	1,185
Extracurricular Activities	0	46,256	0	0	46,256
Gifts and Donations	2,680	7,090	0	0	9,770
Miscellaneous	144,655	17,013	15,199	0	176,867
<b>Total Revenues</b>	<b>4,179,854</b>	<b>391,788</b>	<b>280,988</b>	<b>8,367,822</b>	<b>13,220,452</b>
<b><u>Expenditures:</u></b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	1,953,634	101,926	0	0	2,055,560
Special	265,478	58,856	0	0	324,334
Vocational	157,573	18	0	0	157,591
<b>Support Services:</b>					
Pupils	175,038	3,306	0	0	178,344
Instructional Staff	283,582	109,189	0	0	392,771
Board of Education	21,140	0	0	0	21,140
Administration	454,699	0	0	0	454,699
Fiscal	210,499	684	7,316	0	218,499
Business	3,156	30,018	0	0	33,174
Operation and Maintenance of Plant	363,601	0	0	0	363,601
Pupil Transportation	246,914	3,189	0	0	250,103
Central	25,695	5,000	0	0	30,695
Non-Instructional Services	2,507	0	0	0	2,507
Extracurricular Activities	42,597	55,879	0	0	98,476
Capital Outlay	12,805	0	0	12,540,685	12,553,490
<b>Debt Service:</b>					
Principal Retirement	0	0	120,000	0	120,000
Interest and Fiscal Charges	0	0	151,170	0	151,170
<b>Total Expenditures</b>	<b>4,218,918</b>	<b>368,065</b>	<b>278,486</b>	<b>12,540,685</b>	<b>17,406,154</b>
Excess of Revenues Over (Under) Expenditures	(39,064)	23,723	2,502	(4,172,863)	(4,185,702)
<b><u>Other Financing Sources:</u></b>					
Proceeds from Sale of Fixed Assets	795	0	0	0	795
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(38,269)	23,723	2,502	(4,172,863)	(4,184,907)
Fund Balances at Beginning of Year	262,169	119,562	333,663	8,707,352	9,422,746
Increase in Reserve for Inventory	3,124	0	0	0	3,124
<b>Fund Balances at End of Year</b>	<b>\$227,024</b>	<b>\$143,285</b>	<b>\$336,165</b>	<b>\$4,534,489</b>	<b>\$5,240,963</b>

See accompanying notes to the general purpose financial statements

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**Fairfield Local School District**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$964,244	\$962,460	(\$1,784)	\$19,744	\$22,249	\$2,505
Intergovernmental	2,848,887	2,956,661	107,774	280,125	293,522	13,397
Interest	73,630	73,630	0	0	0	0
Tuition and Fees	30,443	30,443	0	5,550	5,425	(125)
Rent	1,185	1,185	0	0	0	0
Extracurricular Activities	0	0	0	46,860	46,256	(604)
Gifts and Donations	2,680	2,680	0	15,071	7,090	(7,981)
Miscellaneous	103,970	123,970	20,000	14,814	17,013	2,199
<b>Total Revenues</b>	<b>4,025,039</b>	<b>4,151,029</b>	<b>125,990</b>	<b>382,164</b>	<b>391,555</b>	<b>9,391</b>
<b><u>Expenditures:</u></b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	2,018,619	1,983,429	35,190	162,933	112,034	50,899
Special	282,248	272,424	9,824	68,176	59,052	9,124
Vocational	163,854	162,076	1,778	1,432	1,432	0
<b>Support Services:</b>						
Pupils	195,060	186,362	8,698	7,531	7,828	(297)
Instructional Staff	280,369	276,700	3,669	120,950	110,866	10,084
Board of Education	32,898	25,979	6,919	0	0	0
Administration	464,222	453,872	10,350	0	0	0
Fiscal	225,467	219,639	5,828	684	684	0
Business	3,156	3,156	0	31,885	32,221	(336)
Operation and Maintenance of Plant	461,811	427,187	34,624	0	0	0
Pupil Transportation	265,523	273,073	(7,550)	3,968	1,780	2,188
Central	33,618	22,809	10,809	5,000	5,000	0
Non-Instructional Services	3,013	2,507	506	0	0	0
Extracurricular Activities	42,696	42,597	99	59,966	59,544	422
Capital Outlay	48,217	35,242	12,975	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>4,520,771</b>	<b>4,387,052</b>	<b>133,719</b>	<b>462,525</b>	<b>390,441</b>	<b>72,084</b>
Excess of Revenues Over (Under) Expenditures	(495,732)	(236,023)	259,709	(80,361)	1,114	81,475
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	795	795	0	0	0	0
Refund of Prior Year Expenditures	20,353	20,685	332	0	0	0
Advances In	36,000	36,000	0	36,000	36,000	0
Advances Out	(36,000)	(36,000)	0	(36,000)	(36,000)	0
Operating Transfers Out	(29,346)	0	29,346	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(8,198)</b>	<b>21,480</b>	<b>29,678</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(503,930)	(214,543)	289,387	(80,361)	1,114	81,475
Fund Balances at Beginning of Year	486,328	486,328	0	121,700	121,700	0
Prior Year Encumbrances Appropriated	187,712	187,712	0	21,475	21,475	0
<b>Fund Balances at End of Year</b>	<b>\$170,110</b>	<b>\$459,497</b>	<b>\$289,387</b>	<b>\$62,814</b>	<b>\$144,289</b>	<b>\$81,475</b>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$221,287	\$238,069	\$16,782	\$0	\$0	\$0	\$1,205,275	\$1,222,778	\$17,503
25,213	25,234	21	7,604,190	7,840,111	235,921	10,758,415	11,115,528	357,113
0	0	0	527,468	531,441	3,973	601,098	605,071	3,973
0	0	0	0	0	0	35,993	35,868	(125)
0	0	0	0	0	0	1,185	1,185	0
0	0	0	0	0	0	46,860	46,256	(604)
0	0	0	0	0	0	17,751	9,770	(7,981)
11,900	15,199	3,299	0	0	0	130,684	156,182	25,498
<u>258,400</u>	<u>278,502</u>	<u>20,102</u>	<u>8,131,658</u>	<u>8,371,552</u>	<u>239,894</u>	<u>12,797,261</u>	<u>13,192,638</u>	<u>395,377</u>
0	0	0	129,506	83,963	45,543	2,311,058	2,179,426	131,632
0	0	0	0	0	0	350,424	331,476	18,948
0	0	0	2,400	2,400	0	167,686	165,908	1,778
0	0	0	0	0	0	202,591	194,190	8,401
0	0	0	0	0	0	401,319	387,566	13,753
0	0	0	0	0	0	32,898	25,979	6,919
0	0	0	0	0	0	464,222	453,872	10,350
7,316	7,316	0	0	0	0	233,467	227,639	5,828
0	0	0	0	0	0	35,041	35,377	(336)
0	0	0	12,000	12,000	0	473,811	439,187	34,624
0	0	0	0	0	0	269,491	274,853	(5,362)
0	0	0	0	0	0	38,618	27,809	10,809
0	0	0	0	0	0	3,013	2,507	506
0	0	0	0	0	0	102,662	102,141	521
0	0	0	16,831,721	16,100,570	731,151	16,879,938	16,135,812	744,126
120,000	120,000	0	0	0	0	120,000	120,000	0
151,170	151,170	0	0	0	0	151,170	151,170	0
<u>278,486</u>	<u>278,486</u>	<u>0</u>	<u>16,975,627</u>	<u>16,198,933</u>	<u>776,694</u>	<u>22,237,409</u>	<u>21,254,912</u>	<u>982,497</u>
(20,086)	16	20,102	(8,843,969)	(7,827,381)	1,016,588	(9,440,148)	(8,062,274)	1,377,874
0	0	0	0	0	0	795	795	0
0	0	0	0	0	0	20,353	20,685	332
0	0	0	0	0	0	72,000	72,000	0
0	0	0	0	0	0	(72,000)	(72,000)	0
0	0	0	0	0	0	(29,346)	0	29,346
0	0	0	0	0	0	(8,198)	21,480	29,678
(20,086)	16	20,102	(8,843,969)	(7,827,381)	1,016,588	(9,448,346)	(8,040,794)	1,407,552
326,910	326,910	0	7,714,152	7,714,152	0	8,649,090	8,649,090	0
0	0	0	1,128,774	1,128,774	0	1,337,961	1,337,961	0
<u>\$306,824</u>	<u>\$326,926</u>	<u>\$20,102</u>	<u>(\$1,043)</u>	<u>\$1,015,545</u>	<u>\$1,016,588</u>	<u>\$538,705</u>	<u>\$1,946,257</u>	<u>\$1,407,552</u>

**Fairfield Local School District**  
**Statement of Revenues,**  
**Expenses and Changes in Retained Earnings/Fund Balance**  
**Proprietary Fund Type and Nonexpendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b><u>Operating Revenues:</u></b>			
Sales	\$102,109	\$0	\$102,109
Interest	0	920	920
Contributions and Donations	0	2,050	2,050
Total Operating Revenues	<u>102,109</u>	<u>2,970</u>	<u>105,079</u>
<b><u>Operating Expenses:</u></b>			
Salaries	66,755	0	66,755
Fringe Benefits	29,984	0	29,984
Purchased Services	9,694	0	9,694
Materials and Supplies	7,425	0	7,425
Cost of Sales	77,725	0	77,725
Depreciation	1,578	0	1,578
Other	0	750	750
Total Operating Expenses	<u>193,161</u>	<u>750</u>	<u>193,911</u>
Operating Income (Loss)	<u>(91,052)</u>	<u>2,220</u>	<u>(88,832)</u>
<b><u>Non-Operating Revenues:</u></b>			
Interest	2,876	0	2,876
Federal Donated Commodities	12,993	0	12,993
Federal and State Subsidies	45,483	0	45,483
Total Non-Operating Revenues	<u>61,352</u>	<u>0</u>	<u>61,352</u>
Net Income (Loss)	(29,700)	2,220	(27,480)
Retained Earnings/Fund Balance at Beginning of Year	<u>72,628</u>	<u>14,967</u>	<u>87,595</u>
Retained Earnings/Fund Balance at End of Year	<u>\$42,928</u>	<u>\$17,187</u>	<u>\$60,115</u>

See accompanying notes to the general purpose financial statements



*Fairfield Local School District  
Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2001*

	Enterprise Fund			Nonexpendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><i>Revenues:</i></b>						
Sales	\$106,917	\$102,109	(\$4,808)	\$0	\$0	\$0
Federal and State Subsidies	45,483	45,483	0	0	0	0
Interest	2,900	2,876	(24)	0	735	735
Contributions and Donations	0	0	0	1,280	2,050	770
<b>Total Revenues</b>	<b>155,300</b>	<b>150,468</b>	<b>(4,832)</b>	<b>1,280</b>	<b>2,785</b>	<b>1,505</b>
<b><i>Expenses:</i></b>						
Salaries	66,268	66,268	0	0	0	0
Fringe Benefits	29,655	29,655	0	0	0	0
Purchased Services	9,944	9,944	0	0	0	0
Materials and Supplies	71,977	71,977	0	0	0	0
Capital Outlay	355	355	0	0	0	0
Other	0	0	0	1,950	1,950	0
<b>Total Expenses</b>	<b>178,199</b>	<b>178,199</b>	<b>0</b>	<b>1,950</b>	<b>1,950</b>	<b>0</b>
Excess of Revenues Over (Under) Expenses	(22,899)	(27,731)	(4,832)	(670)	835	1,505
Fund Equity at Beginning of Year	83,655	83,655	0	14,852	14,852	0
Prior Year Encumbrances Appropriated	528	528	0	0	0	0
<b>Fund Equity at End of Year</b>	<b>\$61,284</b>	<b>\$56,452</b>	<b>(\$4,832)</b>	<b>\$14,182</b>	<b>\$15,687</b>	<b>\$1,505</b>

See accompanying notes to the general purpose financial statements

**Fairfield Local School District**  
**Statement of Cash Flows**  
**Proprietary Fund Type and Nonexpendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$102,109	\$2,050	\$104,159
Cash Payments to Suppliers for Goods and Services	(82,026)	(750)	(82,776)
Cash Payments to Employees for Services	(66,268)	0	(66,268)
Cash Payments for Employee Benefits	(29,655)	0	(29,655)
Net Cash Provided by (Used for) Operating Activities	(75,840)	1,300	(74,540)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Operating Grants Received	45,483	0	45,483
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest on Investments	2,876	735	3,611
Net Increase (Decrease) in Cash and Cash Equivalents	(27,481)	2,035	(25,446)
Cash and Cash Equivalents at Beginning of Year	84,183	14,852	99,035
Cash and Cash Equivalents at End of Year	\$56,702	\$16,887	\$73,589
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u></b>			
Operating Income (Loss)	(\$91,052)	\$2,220	(\$88,832)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u></b>			
Depreciation	1,578	0	1,578
Donated Commodities Used During Year	12,993	0	12,993
Interest Received by Nonexpendable Trust	0	(920)	(920)
<b><u>Changes in Assets and Liabilities:</u></b>			
Increase in Materials and Supplies Inventory	(27)	0	(27)
Increase in Inventory Held for Resale	(148)	0	(148)
Increase in Accrued Wages and Benefits	727	0	727
Increase in Compensated Absences Payable	212	0	212
Decrease in Intergovernmental Payable	(123)	0	(123)
Total Adjustments	15,212	(920)	14,292
Net Cash Provided by (Used for) Operating Activities	(\$75,840)	\$1,300	(\$74,540)

Reconciliation of Nonexpendable Trust Fund to Balance Sheet

Cash and Cash Equivalents - All Fiduciary Funds	\$39,938
Cash and Cash Equivalents - Agency Funds	(23,051)
Cash and Cash Equivalents - Nonexpendable Trust Fund	\$16,887

See accompanying notes to the general purpose financial statements

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Fairfield Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The Fairfield Local School District was established in 1962 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 53 square miles. It is located in Highland County and Clinton County, and includes all of the Villages of Leesburg and Highland and all of Fairfield Township, portions of Penn and Liberty Townships and a portion of Wayne Township in Clinton County. The School District is staffed by 38 non-certificated employees, 56 certificated teaching personnel and 6 administrative employees who provide services to 797 students and other community members. The School District currently operates 2 instructional buildings and 1 bus garage.

*Reporting Entity:*

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

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

The following entities which perform activities within the School District’s boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District: Villages of Highland and Leesburg, Fairfield Alumni Association, Fairfield Athletic Boosters, Fairfield Music Association, Fairfield Parent Teacher Organization, and Fairfield Young Adult Farmers.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

(continued)

The School District is associated with the South Central Ohio Computer Association (SCOCA), the Hopewell Special Education Regional Resource Center (Hopewell), and the Great Oaks Institute of Technology and Career Development. These jointly governed organizations are presented in Note 13 of the General Purpose Financial Statements. The School District is also associated with the Ohio School Boards Association Workers' Compensation Group Rating Plan, an insurance purchasing pool (Note 13).

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

The financial statements of the Fairfield Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary or trust funds) are accounted for through governmental funds.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

The following are the School District's governmental fund types:

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

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary or trust funds).

*Proprietary Fund Type:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

*Enterprise Fund* - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds and nonexpendable trust fund.

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 School District, available means expected to be received within sixty days of year-end.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5.) 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 fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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. Unused donated commodities are reported as deferred revenue.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the function and object level for all funds.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Highland County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.



Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, must be approved by the Board of Education. The School District has chosen to present the budgetary statements in the general purpose financial statements at the fund and function level even though the legal level of control is at the fund level.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

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.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The School District also utilizes an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as "cash and cash equivalents with escrow agents" and represent investments in money market mutual funds.

During fiscal year 2001, the School District's investments were limited to certificates of deposit, money market mutual funds, and funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$72,574, which includes \$68,080 assigned from other School District funds. The capital projects funds, enterprise fund and nonexpendable trust fund also received interest revenue of \$510,301, \$2,876, and \$920 respectively.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, supplies, and purchased food and are expensed when used.

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

**F. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

All assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	8 - 20 years
Vehicles	10 years
Textbooks	5 years

**G. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

**H. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences (including the retirement and attendance incentives), and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have used current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**I. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**J. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set-aside by the School District for budget stabilization which consists of Bureau of Workers' Compensation refunds, the purchase of textbooks and instructional materials and school bus purchases. See Note 15 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

The School District also utilizes an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as "cash and cash equivalents with escrow agents" and represent investments in money market mutual funds.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**K. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, contributions, inventories of supplies and materials, budget stabilization, property taxes, textbooks and instructional materials, endowments, and school bus purchases.

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

**L. Fund Designations**

Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. The designations represent monies for capital acquisitions in excess of the statutory required amounts.

**M. 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.

**N. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$38,269)	\$23,723	\$2,502	(\$4,172,863)
Adjustments:				
Revenue Accruals	(8,140)	(233)	(2,486)	3,730
Expenditure Accruals	3,700	18,907	0	384,192
Encumbrances	(171,834)	(41,283)	0	(4,042,440)
Budget Basis	(\$214,543)	\$1,114	\$16	(\$7,827,381)

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Net Income (Loss)/Excess of Revenues Over (Under) Expenses  
Proprietary Fund Type and Nonexpendable Trust Fund

	Enterprise	Nonexpendable Trust
GAAP Basis	(\$29,700)	\$2,220
Adjustments:		
Revenue Accruals	0	(185)
Expense Accruals	641	0
Encumbrances	(250)	(1,200)
Depreciation Expense	1,578	0
Budget Basis	(\$27,731)	\$835

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

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

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

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

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.



Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$5,905,841 and the bank balance was \$7,381,587. Of the bank balance, \$203,639 was covered by federal depository insurance and \$7,177,948 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Money market mutual funds and STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying/Fair Value
Money Market Mutual Funds	\$248,368
STAR Ohio	392,613
Total	\$640,981

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$6,546,822	\$0
Investments:		
Money Market Mutual Funds	(248,368)	248,368
STAR Ohio	(392,613)	392,613
GASB Statement No. 3	\$5,905,841	\$640,981

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2001.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - PROPERTY TAXES** (continued)

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$33,638,290	75.46%	\$42,406,780	81.21%
Public Utility	2,885,380	6.47%	2,670,380	5.11%
Tangible Personal Property	8,057,120	18.07%	7,145,190	13.68%
Total Assessed Value	<u>\$44,580,790</u>	<u>100.00%</u>	<u>\$52,222,350</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.35		\$32.35	

The School District receives property taxes from Highland County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$34,719 in the general fund, \$864 in the classroom facilities maintenance special revenue fund and \$9,239 in the debt service fund.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2001, consisted of grants, interest, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<i>Capital Projects Funds</i>	
Classroom Facilities	\$340,679
Vocational Education Equipment	1,144
Video Distance Learning	45,000
Total Intergovernmental Receivables	<u><u>\$386,823</u></u>

**NOTE 7 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$125,177
Less Accumulated Depreciation	<u>(120,671)</u>
Net Fixed Assets	<u><u>\$4,506</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$675,537	\$0	\$0	\$675,537
Buildings and Improvements	2,467,929	0	0	2,467,929
Furniture, Fixtures and Equipment	1,251,826	52,727	39,810	1,264,743
Vehicles	673,973	0	0	673,973
Textbooks	370,590	0	0	370,590
Construction In Progress	<u>1,622,119</u>	<u>11,856,940</u>	<u>0</u>	<u>13,479,059</u>
Totals	<u><u>\$7,061,974</u></u>	<u><u>\$11,909,667</u></u>	<u><u>\$39,810</u></u>	18,931,831
Accumulated Depreciation				<u>(4,969,792)</u>
Total General Fixed Assets				<u><u>\$13,962,039</u></u>

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 8-RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Love Insurance Agency for property insurance and inland marine coverage. Fleet insurance and liability insurance is provided by Nationwide Insurance Company. Coverages provided are as follows:

Building and contents (\$250.00 Deductible) . . . . . \$8,448,536

**FLEET INSURANCE COVERAGES**

Combined single Limit Liability . . . . . \$2,000,000  
Extended Med Pay . . . . . \$3,000  
Uninsured Motorist . . . . . \$2,000,000  
Comprehensive . . . . . ACV  
Collision . . . . . ACV or cost to repair, whichever is less

This coverage includes the driver education car for a year.

**General Liability**

Each Occurrence Limit . . . . . \$2,000,000  
General Aggregate Limit . . . . . \$5,000,000  
Commercial Umbrella Liability Policy Business Auto Policy Limit . . . \$1,000,000  
Fire Damage Limit (any one fire) . . . . . \$100,000  
Medical Expense (any one person) . . . . . \$5,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction of coverage from the prior year.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$25,313, \$30,670, and \$39,537, respectively; 44.01 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$14,173 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$257,929, \$108,888, and \$100,069, respectively; 72.64 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$70,569 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, all of the School District's members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$122,177 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$73,331.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. The classified employees working twelve months of the year earn ten to twenty days of vacation per fiscal year, depending upon length of service. The Superintendent and Treasurer earn twenty-five days of vacation per fiscal year. Accumulated, unused vacation time is paid to classified employees and the Superintendent and Treasurer upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel except the Superintendent and Treasurer who can accrue up to 230 days maximum. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 35 days.

**B. Health Care Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Anthem Life Insurance Company of Indiana at the expense of the Board of Education. The School District has elected to provide employee medical/surgical benefits through Anthem Blue Cross/Blue shield. Dental insurance is provided by Coresource, Inc. The cost of health insurance premiums are shared by the employees and the Board of Education as provided in the negotiated master agreement. The cost of dental premiums is completely paid by the Board of Education.

**C. Retirement Incentive**

An employee who retires during the duration of the contract years July 1, 1999, through June 30, 2001, will receive a retirement incentive bonus based on the following formula:

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

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



Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

The following restrictions apply to this incentive:

1. The employee must be eligible for and taking initial regular retirement under either STRS or SERS. (Persons previously retired under STRS or SERS are ineligible.)
2. This incentive expires on June 30, 2001.
3. Retirement date must be during this contract term.
4. The employee must give the Board of Education a minimum of ninety (90) days written notice of his/her intent to retire.
5. An employee who retires during the school year receives no partial credit for that year in terms of bonus calculation; the bonus will be based on the last three complete years of service.
6. Compensation upon which the bonus is calculated includes all payments made to the employee from which retirement has been withheld.

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

**D. Perfect/Excellent Attendance Incentive**

Bonus checks are issued to employees who have perfect or excellent attendance in any full work year (July 1 - June 30). Bonuses are paid as a percentage of a day's pay for each employee's "reference rate" as follows:

- Certified Employees - Step 6 of the individual's salary column
- Classified Employees - Step 3 of the individual's job classification

On the chart below, whenever an individual has used less than three days of either personal or sick days, he/she qualifies for a bonus. When two or fewer days have been used in both categories, the percentages are added together to be multiplied by that employee's reference rate. Thus, an employee with perfect attendance would receive 150% of his/her reference rate, with further possible combinations yielding percentages of 125%, 100%, 75%, 50%, and 25%.

<u>Leave Days Used</u>	<u>Personal</u>	<u>Sick</u>
0	75%	75%
1	50%	50%
2	25%	25%

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Other conditions:

1. Only full time, regular employees are eligible for participation in this program.
2. Any use of unpaid leave or docked days disqualifies the employee from any bonus.
3. Payment will be made on a separate check no later than July 31 each year.
4. No STRS or SERS will be withheld. However all taxes apply and will be withheld.
5. This program expires July 1, 2001 and will be re-evaluated to determine effectiveness and cost.

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
General Obligation Bonds				
School Improvement Bonds 1981 11.25%	\$210,000	\$0	\$50,000	\$160,000
School Improvement Bonds 1999 5.06%	925,000	0	25,000	900,000
School Improvement Bonds 1999 5.04%	1,730,000	0	45,000	1,685,000
Total General Obligation Bonds	<u>2,865,000</u>	<u>0</u>	<u>120,000</u>	<u>2,745,000</u>
Compensated Absences	85,912	6,088	0	92,000
Intergovernmental Payable (Pension Obligation)	36,358	38,094	36,358	38,094
Total General Long-Term Obligations	<u><u>\$2,987,270</u></u>	<u><u>\$44,182</u></u>	<u><u>\$156,358</u></u>	<u><u>\$2,875,094</u></u>

**School Improvement Bonds 1981**

The School District issued \$1,150,000 in voted general obligation bonds for the purpose of making improvements to the School District's facilities. The bonds were issued for a twenty-three year period with final maturity on December 1, 2003.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 12 - LONG TERM OBLIGATIONS** (continued)

School Improvement Bonds 1999

The School District issued \$950,000 in voted general obligation bonds for the purpose of making improvements to the bus garage, administration office, vocational agricultural facility and athletic fields. The bonds were issued for a twenty-three year period with final maturity on December 1, 2021.

School Improvement Bonds 1999

The School District issued \$1,774,000 in voted general obligation bonds for the purpose of making improvements to the School District's K-12 facilities as a result of the School District being approved for a \$15,334,148 school facilities loan through the State Department of Education. As a requirement of the loan, the School district was required to pass a 3.82 mill levy. The 3.82 mill levy, of which .5 mill was to be used for the retirement of the loan, with the balance of 3.32 mills to be used for the retirement of the 1999 bond issue, will be in effect for twenty-three years with final maturity on December 1, 2021.

Subsequent to receiving the \$15,334,148 classroom facilities loan, the School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the loan to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. Legislation effective September 15, 2000, eliminates any possibility that money received by the School District under this program will need to be repaid regardless of the state-wide median adjusted valuation per pupil.

The general obligation bonds will be paid from property tax revenues received in the debt service fund. Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$2,291,177 with an unvoted debt margin of \$52,222 at June 30, 2001.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 12 - LONG TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$130,000	\$142,435	\$272,435
2003	125,000	133,491	258,491
2004	140,000	124,244	264,244
2005	85,000	117,516	202,516
2006	85,000	113,776	198,776
2007-2011	505,000	502,487	1,007,487
2012-2016	650,000	359,652	1,009,652
2017-2021	830,000	167,140	997,140
2022	195,000	5,185	200,185
Total	<u>\$2,745,000</u>	<u>\$1,665,926</u>	<u>\$4,410,926</u>

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Cental Ohio Computer Association (SCOCA)**

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$4,192 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

**B. Hopewell Special Education Regional Resource Center (Hopewell)**

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the county board of education, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants.

**C. Great Oaks Institute of Technology and Career Development**

The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possess its own budgetary and taxing authority. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, OH 45241-1581.

**NOTE 14 - INSURANCE PURCHASING POOL**

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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 15 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly 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, 2001, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	\$0	\$0	\$46,024
Current Year Set-aside Requirement	83,970	83,970	0
Reduction in Requirement based on Revised Legislation	0	0	(25,566)
Current Year Offsets	0	(289,183)	
Qualifying Disbursements	(79,835)	(52,607)	0
	<hr/>	<hr/>	<hr/>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$4,135</u>	<u>(\$257,820)</u>	<u>\$20,458</u>
	<hr/>	<hr/>	<hr/>
Set-aside Reserve Balance as of June 30, 2001	<u>\$4,135</u>	<u>\$0</u>	<u>\$20,458</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for the capital acquisition, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the capital acquisition set-aside.

The total reserve balance for the set-asides at the end of the fiscal year was \$24,593.

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 16 - CONSTRUCTION COMMITMENTS**

The School District has entered into contracts for the design and construction of a new building and renovations to an existing building in the School District. Outstanding construction commitments at June 30, 2001 are as follows:

Project	Contract Amount	Amount Expended	Balance At 6/30/01
Bushong Restaurant Equipment	\$222,880	\$135,717	\$87,163
Croson/Teepe, LLP	2,710,106	2,245,718	464,388
Dalmation Fire	196,980	164,180	32,800
Farnham Equipment Company	459,850	236,453	223,397
Owensville Electric	1,751,520	1,231,863	519,657
Quantum Construction	8,401,584	7,006,818	1,394,766
Sherman R. Smoot Company	910,519	694,275	216,244
Cox Paving & Asphalt	275,795	0	275,795
Thomas W. Ruff & Company	416,874	0	416,874
Data-Serv Inc.	78,965	0	78,965
Village of Leesburg	215,000	170,359	44,641
S.E.M. Partners, Incorporated	919,203	806,781	112,422
Total	<u>\$16,559,276</u>	<u>\$12,692,164</u>	<u>\$3,867,112</u>

**NOTE 17 - COMPLIANCE**

The following funds had appropriations in excess of estimated resources plus available balances for the year ended June 30, 2001:

Fund Type/Fund	Appropriations	Estimated Resources Plus Available Balances	Excess
<b>Special Revenue Funds</b>			
Summer Intervention	\$11,395	\$0	\$11,395
Conflict Management	2,839	1,839	1,000
<b>Capital Projects Funds</b>			
SchoolNet	46,500	41,500	5,000
Telecommunity	35,006	35,000	6

Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 18 - CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". At June 30, 2000, there was no effect on fund balance as a result of implementing GASB Statement Nos. 33 and 36.

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**B. Litigation**

The School District is not party to any legal proceeding.

**NOTE 20 - SUBSEQUENT EVENT**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 6, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as a basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.



Fairfield Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 20 - SUBSEQUENT EVENT** (continued)

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations. As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Fairfield Local School District  
Highland County  
200 South Street  
P.O. Box 347  
Leesburg, Ohio 45135

To the Board of Education:

We have audited the general-purpose financial statements of the Fairfield Local School District, Highland County, Ohio (the District), as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated November 6, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Fairfield Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 6, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Fairfield Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Fairfield Local School District  
Highland County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

November 6, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**FAIRFIELD LOCAL SCHOOL DISTRICT**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 6, 2001**