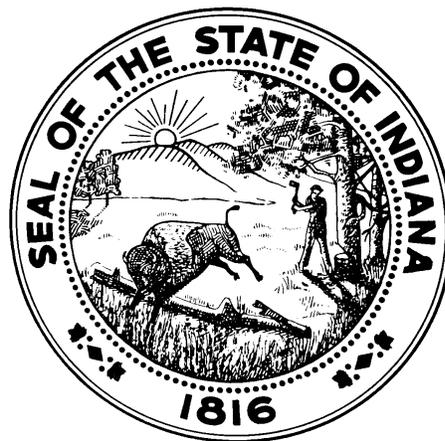


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
FAIRFIELD COMMUNITY SCHOOLS
ELKHART COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED

06/25/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	11-12
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	13-14
Notes to Financial Statements	15-26
Required Supplementary Information:	
Schedule of Funding Progress	27
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	28-35
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	36-37
Schedule of Capital Assets.....	38
Schedule of Long-Term Debt	39
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	42-43
Schedule of Expenditures of Federal Awards	44
Notes to Schedule of Expenditures of Federal Awards.....	45
Schedule of Findings and Questioned Costs	46
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	47
Exit Conference.....	48

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda L. Hire	07-01-06 to 06-30-09
Superintendent of Schools	Thomas E. Tumey	07-01-06 to 06-30-11
President of the School Board	Michael D. Morehouse Jonathan Graber Wayne L. Miller	07-01-06 to 06-30-07 07-01-07 to 06-30-08 07-01-08 to 06-30-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE FAIRFIELD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfield Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the pre-scribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 19, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 19, 2009



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE FAIRFIELD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfield Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated May 19, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, school board of trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 19, 2009

FAIRFIELD COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 8,662,075	\$ -	\$ 61,286	\$ (8,600,789)
Support services	5,704,441	599,395	199,041	(4,906,005)
Community services	184,896	-	-	(184,896)
Nonprogrammed charges	1,781,646	1,355,911	-	(425,735)
Debt service	3,185,611	-	-	(3,185,611)
Total government	<u>\$ 19,518,669</u>	<u>\$ 1,955,306</u>	<u>\$ 260,327</u>	<u>(17,303,036)</u>
General receipts:				
Property taxes				5,303,763
Other local sources				1,691,608
State aid				7,633,201
Bonds and loans				1,255,198
Grants and contributions not restricted to specific programs				705,115
Sale of property, adjustments, and refunds				117,135
Investment earnings				<u>520,518</u>
Total general receipts				<u>17,226,538</u>
Change in net assets				(76,498)
Net assets - beginning				<u>9,063,781</u>
Net assets - ending				<u><u>\$ 8,987,283</u></u>
<u>Assets</u>				
Cash and investments				\$ 6,956,859
Restricted assets:				
Cash and investments				<u>2,030,424</u>
Total assets				<u><u>\$ 8,987,283</u></u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 43,577
Other purposes				1,986,847
Unrestricted				<u>6,956,859</u>
Total net assets				<u><u>\$ 8,987,283</u></u>

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 8,803,669	\$ -	\$ 123,609	\$ (8,680,060)
Support services	6,334,300	614,495	236,301	(5,483,504)
Community services	216,449	-	-	(216,449)
Nonprogrammed charges	1,874,370	1,319,205	-	(555,165)
Debt service	<u>4,434,665</u>	<u>-</u>	<u>-</u>	<u>(4,434,665)</u>
Total government	<u>\$ 21,663,453</u>	<u>\$ 1,933,700</u>	<u>\$ 359,910</u>	<u>(19,369,843)</u>
General receipts:				
Property taxes				9,673,704
Other local sources				866,802
State aid				7,357,085
Bonds and loans				1,731,181
Grants and contributions not restricted to specific programs				761,509
Sale of property, adjustments, and refunds				111,165
Investment earnings				<u>490,212</u>
Total general receipts				<u>20,991,658</u>
Change in net assets				1,621,815
Net assets - beginning				<u>8,987,283</u>
Net assets - ending				<u>\$ 10,609,098</u>
<u>Assets</u>				
Cash and investments				\$ 8,176,290
Restricted assets:				
Cash and investments				<u>2,432,808</u>
Total assets				<u>\$ 10,609,098</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 314,576
Other purposes				2,118,232
Unrestricted				<u>8,176,290</u>
Total net assets				<u>\$ 10,609,098</u>

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 3,078,778	\$ 563,457	\$ 334,488	\$ 2,014,920	\$ 1,225,891	\$ 106,418	\$ 670,288	\$ 7,994,240
Intermediate sources	445	-	-	-	-	-	919	1,364
State sources	7,676,686	-	-	-	-	-	96,481	7,773,167
Federal sources	287,781	-	-	-	-	-	537,702	825,483
Bonds and loans	-	64,253	-	1,190,945	-	-	-	1,255,198
Sale of property, adjustments and refunds	3,345	1,000	-	-	165	3,501	109,123	117,134
Interfund loans	-	-	-	-	30,000	30,000	-	60,000
Total receipts	11,047,035	628,710	334,488	3,205,865	1,256,056	139,919	1,414,513	18,026,586
Disbursements:								
Current:								
Instruction	8,304,580	-	-	-	-	-	357,495	8,662,075
Support services	2,668,457	803,715	3,500	-	1,233,547	195,644	799,578	5,704,441
Community services	178,616	-	-	-	-	-	6,280	184,896
Nonprogrammed charges	393,571	-	-	-	-	-	34,952	428,523
Debt services	-	-	-	3,185,611	-	-	-	3,185,611
Interfund loans	-	-	-	-	30,000	30,000	-	60,000
Total disbursements	11,545,224	803,715	3,500	3,185,611	1,263,547	225,644	1,198,305	18,225,546
Excess (deficiency) of receipts over disbursements	(498,189)	(175,005)	330,988	20,254	(7,491)	(85,725)	216,208	(198,960)
Other financing sources (uses):								
Transfers in	56,561	-	-	-	-	-	10,180	66,741
Transfers out	-	-	-	-	-	-	(66,741)	(66,741)
Total other financing sources (uses)	56,561	-	-	-	-	-	(56,561)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(441,628)	(175,005)	330,988	20,254	(7,491)	(85,725)	159,647	(198,960)
Cash and investments - beginning	1,903,190	341,182	1,904,326	23,323	2,039,824	167,565	819,986	7,199,396
Cash and investments - ending	\$ 1,461,562	\$ 166,177	\$ 2,235,314	\$ 43,577	\$ 2,032,333	\$ 81,840	\$ 979,633	7,000,436
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								1,986,847
Net assets of governmental activities								\$ 8,987,283
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,461,562	\$ 166,177	\$ 2,235,314	\$ -	\$ 2,032,333	\$ 81,840	\$ 979,633	\$ 6,956,859
Restricted assets:								
Cash and investments	-	-	-	43,577	-	-	-	43,577
Total cash and investment assets - ending	\$ 1,461,562	\$ 166,177	\$ 2,235,314	\$ 43,577	\$ 2,032,333	\$ 81,840	\$ 979,633	\$ 7,000,436
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 43,577	\$ -	\$ -	\$ -	\$ 43,577
Unrestricted	1,461,562	166,177	2,235,314	-	2,032,333	81,840	979,633	6,956,859
Total cash and investment fund balance - ending	\$ 1,461,562	\$ 166,177	\$ 2,235,314	\$ 43,577	\$ 2,032,333	\$ 81,840	\$ 979,633	\$ 7,000,436

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 4,475,200	\$ 892,060	\$ 112,488	\$ 3,382,848	\$ 1,892,362	\$ 117,033	\$ 677,351	\$ 11,549,342
Intermediate sources	223	-	-	-	-	-	600	823
State sources	7,407,458	-	-	-	-	-	171,693	7,579,151
Federal sources	279,601	-	-	-	-	-	619,751	899,352
Bonds and loans	-	371,992	-	1,271,063	-	88,126	-	1,731,181
Sale of property, adjustments and refunds	12,149	5,871	-	-	88,165	1,473	3,505	111,163
Interfund loans	-	25,300	-	-	-	25,300	-	50,600
Total receipts	12,174,631	1,295,223	112,488	4,653,911	1,980,527	231,932	1,472,900	21,921,612
Disbursements:								
Current:								
Instruction	8,319,860	-	-	-	-	-	483,809	8,803,669
Support services	2,818,458	849,529	-	-	1,565,577	159,388	941,348	6,334,300
Community services	210,349	-	-	-	-	-	6,100	216,449
Nonprogrammed charges	502,392	-	-	-	-	-	89,107	591,499
Debt services	-	64,253	-	4,370,412	-	-	-	4,434,665
Interfund loans	-	25,300	-	-	-	25,300	-	50,600
Total disbursements	11,851,059	939,082	-	4,370,412	1,565,577	184,688	1,520,364	20,431,182
Excess (deficiency) of receipts over disbursements	323,572	356,141	112,488	283,499	414,950	47,244	(47,464)	1,490,430
Other financing sources (uses):								
Transfers in	-	-	884,809	-	-	-	30,166	914,975
Transfers out	(500,000)	(114,820)	-	(12,500)	(269,989)	-	(17,666)	(914,975)
Total other financing sources (uses)	(500,000)	(114,820)	884,809	(12,500)	(269,989)	-	12,500	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(176,428)	241,321	997,297	270,999	144,961	47,244	(34,964)	1,490,430
Cash and investments - beginning	1,461,562	166,177	2,235,314	43,577	2,032,333	81,840	979,633	7,000,436
Cash and investments - ending	\$ 1,285,134	\$ 407,498	\$ 3,232,611	\$ 314,576	\$ 2,177,294	\$ 129,084	\$ 944,669	8,490,866
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								2,118,232
Net assets of governmental activities								\$ 10,609,098
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,285,134	\$ 407,498	\$ 3,232,611	\$ -	\$ 2,177,294	\$ 129,084	\$ 944,669	\$ 8,176,290
Restricted assets:								
Cash and investments	-	-	-	314,576	-	-	-	314,576
Total cash and investment assets - ending	\$ 1,285,134	\$ 407,498	\$ 3,232,611	\$ 314,576	\$ 2,177,294	\$ 129,084	\$ 944,669	\$ 8,490,866
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 314,576	\$ -	\$ -	\$ -	\$ 314,576
Unrestricted	1,285,134	407,498	3,232,611	-	2,177,294	129,084	944,669	8,176,290
Total cash and investment fund balance - ending	\$ 1,285,134	\$ 407,498	\$ 3,232,611	\$ 314,576	\$ 2,177,294	\$ 129,084	\$ 944,669	\$ 8,490,866

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

	Internal Service Fund <u>(Self-Insurance)</u>
Operating receipts:	
Charges for services	\$ 1,355,911
Miscellaneous	<u>119,674</u>
Total operating receipts	<u>1,475,585</u>
Operating disbursements:	
Insurance claims and expense	<u>1,353,123</u>
Change in net assets	122,462
Cash and investment fund balance - beginning	<u>1,864,385</u>
Cash and investment fund balance - ending	<u>\$ 1,986,847</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 1,986,847</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 1,986,847</u>

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Internal Service Fund <u>(Self-Insurance)</u>
Operating receipts:	
Charges for services	\$ 1,319,205
Miscellaneous	<u>95,051</u>
Total operating receipts	<u>1,414,256</u>
Operating disbursements:	
Insurance claims and expense	<u>1,282,871</u>
Change in net assets	131,385
Cash and investment fund balance - beginning	<u>1,986,847</u>
Cash and investment fund balance - ending	<u>\$ 2,118,232</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 2,118,232</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 2,118,232</u>

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Fund	Private-Purpose Trust Funds	Agency Fund
	(Retirement/Severance)		(Payroll)
Additions:			
Contributions:			
Other	\$ 162,000	\$ 14,500	
Deductions:			
Benefits	122,080	-	
Administrative and general	-	6,784	
Total deductions	122,080	6,784	
Excess of total additions over total deductions	39,920	7,716	
Cash and investment fund balance - beginning	83,204	8,147	
Cash and investment fund balance - ending	\$ 123,124	\$ 15,863	\$ 10,717
Net assets:			
Cash and investments	\$ 123,124	\$ 15,863	

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Fund	Private-Purpose Trust Funds	Agency Fund
	(Retirement/Severance)		(Payroll)
Deductions:			
Benefits	\$ 111,553	\$ -	
Administrative and general	-	11,399	
Total deductions	111,553	11,399	
Deficiency of total additions over total deductions	(111,553)	(11,399)	
Cash and investment fund balance - beginning	123,124	15,863	
Cash and investment fund balance - ending	\$ 11,571	\$ 4,464	\$ 10,722
Net assets:			
Cash and investments	\$ 11,571	\$ 4,464	

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Fairfield Community Schools

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

Fairfield Community Schools is a member of the Elkhart County Special Education Cooperative (ECSEC), a joint venture with five other Elkhart County Public School Corporations. The Cooperative was formed for the purpose of providing services to handicapped students of the six school corporations in the most efficient manner possible (Special Education Program). Fairfield Community Schools also is a member of the Elkhart County Education Interlocal, a joint venture with four of the same five Elkhart County Public School Corporations as the ECSEC. The Interlocal provides programs for students who have difficulty learning in a traditional setting (Alternative School Program) through the Merit Learning Center. The operations of the Interlocal are managed by the superintendents of each school (Board of Directors), a Treasurer and Assistant Treasurer. The Special Education Program and the Merit Learning Center are administered by Goshen Community Schools. Funding for the operations of the Interlocal shall include grants and/or charges to the participating members. The joint ventures continued existence depends on continued funding by the School Corporations. Complete financial statements for the programs can be obtained from the administrative offices of Goshen Community Schools at 613 East Purl Street, Goshen, Indiana, 46526-4044.

Fairfield Community Schools is a member with approximately 36 other school corporations in a joint venture to operate the Northern Indiana Educational Service Center (NIESC), which was created to allow participating schools to cooperate and share certain programs and services, which they collectively may implement. The school Corporation is obligated to remit a per student rate determined annually to supplement the NIESC's budget. NIESC's continued existence depends on continued funding by the School Corporations. The School Corporations are obligated for the debts of the NIESC. Complete financial statements for the programs can be obtained from the administrative offices of Plymouth Community Schools at 611 Berkley St., Plymouth, IN 46563.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fairfield Community Schools is a member with approximately 30 school corporations in a joint venture to operate North Central Energy Cooperative (NEC), which was created to procure natural gas in an economical and efficient manner. The School Corporation is obligated by contract to remit its actual natural gas expenses directly to the seller of the natural gas, Centerpoint Energy Services. There are no separate financial statements. However, Concord Community Schools is the administrative agent for the NEC.

Jointly Governed Organization

The School Corporation, in conjunction with Wawasee Community Schools and West Noble Community Schools has created the Wawasee Area Career and Technical Cooperative. Wawasee Community Schools operates the Career and Technical Cooperative and maintains the accounting records.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. At this time, the School Corporation has not established any business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund accounts for transfers of resources to fund severance and retirement benefits and for emergency and unforeseen circumstances.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for the financial resources related to the health and dental insurance of current employees and retirees on a premium cost basis.

The pension trust fund accounts for the payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits.

The private-purpose trust funds report the trust arrangement under which principal and income benefit according to the terms outlined by the donors.

The agency fund accounts for assets held by the School Corporation as an agent for vendors for which deductions are made from employees pay. This fund also serves as a control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As of January 1, 2008, the Department of Education has mandated a change in the chart of accounts used by the School Corporation. These changes have caused expenses to be allocated in a manner that is not consistent with reporting prior to January 1, 2008. This change does not affect the total amount of expenses, only the allocation of the expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to other departments or agencies primarily within the government (internal service funds).

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected. Property taxes levied for the year 2007 were not billed until late in 2008 and not collected by the County Treasurer and available for distribution to the School Corporation until February 2009.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds results from providing services, producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2008, the School Corporation had a deposit balance in the amount of \$20,034.12 at Interra Credit Union, and was insured by a private insurance company, which insures their money market share accounts individually up to \$250,000. The remaining bank balances were insured by the Federal Deposit Insurance Corporation and the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>
General	Rainy Day	\$ -	\$ 500,000
Transportation Operating	Rainy Day	-	114,820
Capital Projects	Rainy Day	-	269,989
Debt Service	Other governmental funds	-	12,500
Other governmental funds	General	56,561	-
Other governmental funds	Other governmental funds	<u>10,180</u>	<u>17,666</u>
Totals		<u>\$ 66,741</u>	<u>\$ 914,975</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Restatements and Reclassifications

For the year ended June 30, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit. New funds represents the inclusion of existing funds which were not presented in the prior report. Prior period adjustments represent changing donation funds to private-purpose trust funds from special revenue funds to show them closer to their definition.

<u>Opinion Unit</u>	<u>Balance as Reported June 30, 2006</u>	<u>Fund Reclassification</u>	<u>New Funds</u>	<u>Balance as Restated July 1, 2006</u>
Governmental Activities	\$ 9,071,928	\$ (8,147)	\$ -	\$ 9,063,781
Private-Purpose Trust	-	-	8,147	8,147
Governmental Funds	7,207,543	(8,147)		7,199,396

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents and natural disasters.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical and Dental Benefits to Employees, Retirees and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical and dental benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$40,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund.

B. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits to all certified employees hired prior to June 1, 2002, as authorized by IC 5-10-8, who retire from the School Corporation on or after attaining age fifty-five, with at least fifteen years of service. Currently, eighteen employees meet these eligibility requirements and two retirees are currently participating. The School Corporation provides 62% to 68% of the current monthly premium in the year of retirement. That dollar amount does not change. This benefit is available for a maximum of five years post retirement. Noncertified employees who retire from the School Corporation with at least twenty years of service also receive a health insurance benefit. The School Corporation will pay up to \$3,500 per year towards a single health insurance premium and up to \$6,500 per year for a family health insurance premium. This benefit is available for noncertified employees for up to three years post retirement. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, disbursements of \$9,274 were recognized for postemployment benefits.

These funds are held in reserve to pay health insurance premiums of qualified retirees for a limited time, in accordance with various governmental regulations.

Retirement annuity benefits are available to all certified employees hired prior to June 1, 2002, who retire from the School Corporation on or after attaining age fifty-five with at least fifteen years of service. Currently, eighteen employees meet these eligibility requirements and nine retirees are receiving benefits. The School Corporation contributes \$7,028 per year into a Non-Elective 403(b) Plan Annuity. This benefit is available for a maximum of five years post retirement. Disbursements for these postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, \$66,525 of retirement benefits accrued. Disbursement of this benefit was made in July 2008.

C. Holding Corporations

The School Corporation has entered into capital leases with Fairfield Multi-School Building Corporation, Fairfield Jr.-Sr. High School Building Corporation and Fairfield School Building Corporation, all (not-for-profit) holding corporations (the lessors). All were organized pursuant to state

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be a related party of the School Corporation. Lease payments during the year ended June 30, 2008, totaled \$3,169,000.

D. Subsequent Events

Beginning in 2009, the State General Fund as part of the basic grant distribution shall pay to each school corporation, an amount sufficient to provide all funding for the General and Special Education Preschool Funds. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any school corporation by the amount of the payment to be made in 2009 by the State.

In the spring of 2009, Fairfield Community Schools is refunding the 1998 bond issue on the Benton Elementary School building. The refunding amount is \$4,105,000. The bonds were actually sold on April 15, 2009, generating a savings to the school district of approximately \$140,000. It was decided by the Board that the savings will be used to reduce the debt service payments in the first two years of the new issue resulting in a small savings in property taxes by the local taxpayers. Standard & Poor's has assigned a bond rating of "AA+" for the new issue.

E. Temporary Loans

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate funds. Short-term debt payable as of June 30, 2008, is as follows.

Fund	Loans Payable 06-30-08
Debt service	\$ 1,271,063
Transportation operating	371,992
Bus replacement	88,126
Total	\$ 1,731,181

F. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plans

Annual required contribution	\$ 179,455
Interest on net pension obligation	(9,547)
Adjustment to annual required contribution	<u>10,879</u>
Annual pension cost	180,787
Contributions made	<u>154,678</u>
Increase in net pension obligation	26,109
Net pension obligation, beginning of year	<u>(131,678)</u>
Net pension obligation, end of year	<u><u>\$ (105,569)</u></u>

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Contribution rates:	
School Corporation	7.75%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-06	\$ 133,861	97%	\$ (155,032)
06-30-07	153,925	85%	(131,678)
06-30-08	180,787	85%	(105,569)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$211,667, \$181,287, and \$192,610, respectively. The School Corporation actually contributed 100%, of the required contribution for each of the fiscal years.

FAIRFIELD COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,681,157	\$ 2,148,140	\$ (466,983)	78%	\$ 1,855,612	(25%)
07-01-07	1,875,422	2,495,066	(619,644)	75%	2,033,913	(30%)
07-01-08	2,109,110	2,707,337	(598,227)	78%	2,204,152	(27%)

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Gifted and Talented 05-06
Receipts:						
Local sources	\$ 7,469	\$ 494,267	\$ 168,335	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	919	-
State sources	47,485	16,128	14,451	-	-	-
Federal sources	-	165,921	-	-	-	-
Sale of property, adjustments and refunds	-	-	803	108,320	-	-
Total receipts	54,954	676,316	183,589	108,320	919	-
Disbursements:						
Current:						
Instruction	-	-	-	-	-	2,277
Support services	-	648,084	108,135	-	393	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	34,952	-	-	-	-	-
Total disbursements	34,952	648,084	108,135	-	393	2,277
Excess (deficiency) of receipts over disbursements	20,002	28,232	75,454	108,320	526	(2,277)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(56,561)	-	-
Total other financing sources (uses)	-	-	-	(56,561)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	20,002	28,232	75,454	51,759	526	(2,277)
Cash and investments - beginning	49,542	398,398	187,032	54,735	6,375	2,277
Cash and investments - ending	<u>\$ 69,544</u>	<u>\$ 426,630</u>	<u>\$ 262,486</u>	<u>\$ 106,494</u>	<u>\$ 6,901</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	<u>\$ 69,544</u>	<u>\$ 426,630</u>	<u>\$ 262,486</u>	<u>\$ 106,494</u>	<u>\$ 6,901</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 69,544</u>	<u>\$ 426,630</u>	<u>\$ 262,486</u>	<u>\$ 106,494</u>	<u>\$ 6,901</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Gifted and Talented 06-07	Medicaid Reimbursement	Non-English Speaking Program	Technology Universal Services	Title 1 School Improvement	Title I 05-06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	13,993	437	3,987	-	-	-
Federal sources	-	-	-	6,076	6,559	57,000
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	13,993	437	3,987	6,076	6,559	57,000
Disbursements:						
Current:						
Instruction	5,592	6,043	5,515	-	-	85,726
Support services	-	-	-	4,651	1,128	10,658
Community services	-	-	-	-	-	2,841
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	5,592	6,043	5,515	4,651	1,128	99,225
Excess (deficiency) of receipts over disbursements	8,401	(5,606)	(1,528)	1,425	5,431	(42,225)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(10,180)
Total other financing sources (uses)	-	-	-	-	-	(10,180)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,401	(5,606)	(1,528)	1,425	5,431	(52,405)
Cash and investments - beginning	-	9,420	2,673	2,086	-	52,405
Cash and investments - ending	\$ 8,401	\$ 3,814	\$ 1,145	\$ 3,511	\$ 5,431	\$ -
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ 8,401	\$ 3,814	\$ 1,145	\$ 3,511	\$ 5,431	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 8,401	\$ 3,814	\$ 1,145	\$ 3,511	\$ 5,431	\$ -

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title I 06-07	Title V-A Innovative Education 05-06	Drug Free Schools 05-06	Drug Free Schools 06-07	Disaster Grants
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	181,683	2,797	-	7,600	500
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>181,683</u>	<u>2,797</u>	<u>-</u>	<u>7,600</u>	<u>500</u>
Disbursements:					
Current:					
Instruction	146,628	-	-	-	-
Support services	6,365	2,655	113	7,515	-
Community services	467	126	-	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>153,460</u>	<u>2,781</u>	<u>113</u>	<u>7,515</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>28,223</u>	<u>16</u>	<u>(113)</u>	<u>85</u>	<u>500</u>
Other financing sources (uses):					
Transfers in	10,180	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>10,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>38,403</u>	<u>16</u>	<u>(113)</u>	<u>85</u>	<u>500</u>
Cash and investments - beginning	-	-	113	-	1,000
Cash and investments - ending	<u>\$ 38,403</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 1,500</u>
Cash and Investment Assets - Ending					
Total cash and investment assets - ending	<u>\$ 38,403</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 1,500</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 38,403</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 1,500</u>

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title II Improving Teacher Quality	Title II Enhanced Education	Title III English Proficiency	Construction	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 217	\$ 670,288
Intermediate sources	-	-	-	-	919
State sources	-	-	-	-	96,481
Federal sources	59,711	-	49,855	-	537,702
Sale of property, adjustments and refunds	-	-	-	-	109,123
Total receipts	<u>59,711</u>	<u>-</u>	<u>49,855</u>	<u>217</u>	<u>1,414,513</u>
Disbursements:					
Current:					
Instruction	51,435	-	54,279	-	357,495
Support services	-	2,199	372	7,310	799,578
Community services	2,846	-	-	-	6,280
Nonprogrammed charges	-	-	-	-	34,952
Total disbursements	<u>54,281</u>	<u>2,199</u>	<u>54,651</u>	<u>7,310</u>	<u>1,198,305</u>
Excess (deficiency) of receipts over disbursements	<u>5,430</u>	<u>(2,199)</u>	<u>(4,796)</u>	<u>(7,093)</u>	<u>216,208</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	10,180
Transfers out	-	-	-	-	(66,741)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,561)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>5,430</u>	<u>(2,199)</u>	<u>(4,796)</u>	<u>(7,093)</u>	<u>159,647</u>
Cash and investments - beginning	<u>36,764</u>	<u>4,149</u>	<u>5,924</u>	<u>7,093</u>	<u>819,986</u>
Cash and investments - ending	<u>\$ 42,194</u>	<u>\$ 1,950</u>	<u>\$ 1,128</u>	<u>\$ -</u>	<u>\$ 979,633</u>
Cash and Investment Assets - Ending					
Total cash and investment assets - ending	<u>\$ 42,194</u>	<u>\$ 1,950</u>	<u>\$ 1,128</u>	<u>\$ -</u>	<u>\$ 979,633</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 42,194</u>	<u>\$ 1,950</u>	<u>\$ 1,128</u>	<u>\$ -</u>	<u>\$ 979,633</u>

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plate	High Ability 07-08
Receipts:						
Local sources	\$ 12,606	\$ 509,032	\$ 155,713	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	600	-
State sources	50,619	15,754	32,010	-	-	34,383
Federal sources	-	188,537	-	-	-	-
Sale of property, adjustments and refunds	-	2,179	1,326	-	-	-
Total receipts	63,225	715,502	189,049	-	600	34,383
Disbursements:						
Current:						
Instruction	-	-	-	-	2,250	23,925
Support services	-	718,995	158,127	-	1,650	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	89,107	-	-	-	-	-
Total disbursements	89,107	718,995	158,127	-	3,900	23,925
Excess (deficiency) of receipts over disbursements	(25,882)	(3,493)	30,922	-	(3,300)	10,458
Other financing sources (uses):						
Transfers in	-	-	12,500	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	12,500	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(25,882)	(3,493)	43,422	-	(3,300)	10,458
Cash and investments - beginning	69,544	426,630	262,486	106,494	6,901	-
Cash and investments - ending	<u>\$ 43,662</u>	<u>\$ 423,137</u>	<u>\$ 305,908</u>	<u>\$ 106,494</u>	<u>\$ 3,601</u>	<u>\$ 10,458</u>
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	<u>\$ 43,662</u>	<u>\$ 423,137</u>	<u>\$ 305,908</u>	<u>\$ 106,494</u>	<u>\$ 3,601</u>	<u>\$ 10,458</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 43,662</u>	<u>\$ 423,137</u>	<u>\$ 305,908</u>	<u>\$ 106,494</u>	<u>\$ 3,601</u>	<u>\$ 10,458</u>

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Gifted and Talented 06-07	Medicaid Reimbursement	Non-English Speaking Program	Technology Universal Services	Title I 07-08	Title 1 School Improvement 06-07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	38,927	-	-	-
Federal sources	-	-	-	2,343	249,897	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	-	38,927	2,343	249,897	-
Disbursements:						
Current:						
Instruction	8,401	3,291	40,072	-	241,241	-
Support services	-	-	-	2,985	14,448	5,431
Community services	-	-	-	-	855	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	8,401	3,291	40,072	2,985	256,544	5,431
Excess (deficiency) of receipts over disbursements	(8,401)	(3,291)	(1,145)	(642)	(6,647)	(5,431)
Other financing sources (uses):						
Transfers in	-	-	-	-	17,666	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	17,666	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,401)	(3,291)	(1,145)	(642)	11,019	(5,431)
Cash and investments - beginning	8,401	3,814	1,145	3,511	-	5,431
Cash and investments - ending	\$ -	\$ 523	\$ -	\$ 2,869	\$ 11,019	\$ -
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ -	\$ 523	\$ -	\$ 2,869	\$ 11,019	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 523	\$ -	\$ 2,869	\$ 11,019	\$ -

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title 1 School Improvement 07-08	Title I 06-07	Title V-A Innovative Education 05-06	Drug Free Schools 07-08	Drug Free Schools 06-07
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	28,478	53,000	2,742	7,610	-
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	28,478	53,000	2,742	7,610	-
Disbursements:					
Current:					
Instruction	5,469	68,523	-	-	-
Support services	19,755	5,108	2,604	7,610	85
Community services	1,450	106	16	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	26,674	73,737	2,620	7,610	85
Excess (deficiency) of receipts over disbursements	1,804	(20,737)	122	-	(85)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(17,666)	-	-	-
Total other financing sources (uses)	-	(17,666)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,804	(38,403)	122	-	(85)
Cash and investments - beginning	-	38,403	16	-	85
Cash and investments - ending	<u>\$ 1,804</u>	<u>\$ -</u>	<u>\$ 138</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending					
Total cash and investment assets - ending	<u>\$ 1,804</u>	<u>\$ -</u>	<u>\$ 138</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 1,804</u>	<u>\$ -</u>	<u>\$ 138</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Disaster Grants	Title II Improving Teacher Quality	Title II Enhanced Education	Title III English Proficiency	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 677,351
Intermediate sources	-	-	-	-	600
State sources	-	-	-	-	171,693
Federal sources	-	53,076	-	34,068	619,751
Sale of property, adjustments and refunds	-	-	-	-	3,505
Total receipts	-	53,076	-	34,068	1,472,900
Disbursements:					
Current:					
Instruction	-	60,346	-	30,291	483,809
Support services	-	1,695	1,727	1,128	941,348
Community services	-	3,450	223	-	6,100
Nonprogrammed charges	-	-	-	-	89,107
Total disbursements	-	65,491	1,950	31,419	1,520,364
Excess (deficiency) of receipts over disbursements	-	(12,415)	(1,950)	2,649	(47,464)
Other financing sources (uses):					
Transfers in	-	-	-	-	30,166
Transfers out	-	-	-	-	(17,666)
Total other financing sources (uses)	-	-	-	-	12,500
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(12,415)	(1,950)	2,649	(34,964)
Cash and investments - beginning	1,500	42,194	1,950	1,128	979,633
Cash and investments - ending	<u>\$ 1,500</u>	<u>\$ 29,779</u>	<u>\$ -</u>	<u>\$ 3,777</u>	<u>\$ 944,669</u>
Cash and Investment Assets - Ending					
Total cash and investment assets - ending	<u>\$ 1,500</u>	<u>\$ 29,779</u>	<u>\$ -</u>	<u>\$ 3,777</u>	<u>\$ 944,669</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 1,500</u>	<u>\$ 29,779</u>	<u>\$ -</u>	<u>\$ 3,777</u>	<u>944,669</u>

The notes to the financial statements are an integral part of this statement.

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	NIE Trust	Schini Trust	Higgins Trust	Totals
Additions:				
Contributions:				
Other	\$ 14,500	\$ -	\$ -	\$ 14,500
Deductions:				
Administrative and general	-	5,000	1,784	6,784
Excess (deficiency) of total additions over total deductions	14,500	(5,000)	(1,784)	7,716
Cash and investment fund balance - beginning	-	6,000	2,147	8,147
Cash and investments - June 30	<u>\$ 14,500</u>	<u>\$ 1,000</u>	<u>\$ 363</u>	<u>\$ 15,863</u>
Net assets:				
Cash and investments held in trust	<u>\$ 14,500</u>	<u>\$ 1,000</u>	<u>\$ 363</u>	<u>\$ 15,863</u>

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	<u>NIE Trust</u>	<u>Schini Trust</u>	<u>Higgins Trust</u>	<u>Totals</u>
Deductions:				
Administrative and general	\$ 11,399	\$ -	\$ -	\$ 11,399
Deficiency of total additions over total deductions	(11,399)	-	-	(11,399)
Cash and investment fund balance - beginning	<u>14,500</u>	<u>1,000</u>	<u>363</u>	<u>15,863</u>
Cash and investments - June 30	<u>\$ 3,101</u>	<u>\$ 1,000</u>	<u>\$ 363</u>	<u>\$ 4,464</u>
Net assets:				
Cash and investments held in trust	<u>\$ 3,101</u>	<u>\$ 1,000</u>	<u>\$ 363</u>	<u>\$ 4,464</u>

FAIRFIELD COMMUNITY SCHOOLS 2008
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

June 30, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 493,650
Buildings	50,465,165
Improvements other than buildings	635,144
Machinery and equipment	<u>4,222,011</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 55,815,970</u>

FAIRFIELD COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Fairfield Multi-School Building Corporation	\$ 4,105,000	\$ 496,000
Fairfield Jr.-Sr. High School Building Corporation	2,000,000	665,000
Fairfield School Building Corporation	24,670,024	1,993,500
Loans payable	<u>1,731,181</u>	<u>1,757,560</u>
Total governmental activities debt	<u>\$ 32,506,205</u>	<u>\$ 4,912,060</u>

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE FAIRFIELD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Compliance

We have audited the compliance of the Fairfield Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the School Corporation's management, school board of trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 19, 2009

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 9,426	\$ 18,831
National School Lunch Program	10.555		186,933	202,392
Total for federal grantor agency			196,359	221,223
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Goshen Community Schools				
Special Education Cluster				
Special Education - Grants to States	84.027	FY 06-07	286,177	-
		FY 07-08	-	279,601
Total for cluster			286,177	279,601
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010	FY 05-06	109,405	-
		FY 06-07	154,588	79,168
		FY 07-08	-	283,218
Total for program			263,993	362,386
Safe and Drug Free Schools and Communities - State Grants				
	84.186	FY 05-06	113	-
		FY 06-07	7,515	85
		FY 07-08	-	7,610
Total for program			7,628	7,695
State Grants for Innovative Programs				
	84.298	FY 06-07	2,781	16
		FY 07-08	-	2,605
Total for program			2,781	2,621
Education Technology State Grants				
	84.318	FY 05-06	2,200	1,950
English Language Acquisition Grants				
	84.365	FY 05-06	5,924	-
		FY 06-07	48,726	1,129
		FY 07-08	-	30,291
Total for program			54,650	31,420
Improving Teacher Quality State Grants				
	84.367	FY 05-06	36,764	-
		FY 06-07	17,517	42,194
		FY 07-08	-	23,297
Total for program			54,281	65,491
Total for federal grantor agency			671,710	751,164
<u>US DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FY 06-07	1,604	-
Total federal awards expended			\$ 869,673	\$ 972,387

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fairfield Community Schools (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	2007	2008
Child Nutrition Cluster	\$ 30,438	\$ 32,686

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
---	----

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
--	----

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	yes
--	-----

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

FAIRFIELD COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.

FAIRFIELD COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 19, 2009, with Wayne L. Miller, President of the Board; Thomas E. Tumey, Superintendent of Schools; Linda L. Hire, Treasurer; Philip R. Menzie, Administrative Assistant – Business and Marla Steffen, Payroll Clerk. Our audit disclosed no material items that warrant comment at this time.