

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, 2008 to June 30, 2010



FILED
12/30/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda L. Hire Marla Steffen	07-01-08 to 06-12-09 06-13-09 to 06-30-11
Superintendent of Schools	Thomas E. Tumey	07-01-08 to 06-30-13
President of the School Board	Wayne L. Miller Brent Welty Dave Thwaites	07-01-08 to 06-30-09 07-01-09 to 06-30-10 07-01-10 to 06-30-11



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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, 2009 and 2010, 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 prescribed 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, 2009 and 2010, 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 November 30, 2010, 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 integral part of 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 School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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

November 30, 2010



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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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated November 30, 2010. 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

November 30, 2010

FAIRFIELD COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 8,885,419	\$ -	\$ 117,340	\$ (8,768,079)
Support services	5,450,352	557,580	316,610	(4,576,162)
Noninstructional services	910,851	-	-	(910,851)
Facilities acquisition and construction	490,030	-	-	(490,030)
Debt service	4,930,446	-	-	(4,930,446)
Nonprogrammed charges	<u>203,464</u>	<u>-</u>	<u>-</u>	<u>(203,464)</u>
Total government	<u>\$ 20,870,562</u>	<u>\$ 557,580</u>	<u>\$ 433,950</u>	<u>(19,879,032)</u>
General receipts:				
Property taxes				9,091,083
Other local sources				1,563,165
State aid				8,396,755
Bonds and loans				60,219
Grants and contributions not restricted to specific programs				1,706,690
Sale of property				4,032
Investment earnings				123,588
Other				<u>4,354</u>
Total general receipts				<u>20,949,886</u>
Change in net assets				1,070,854
Net assets - beginning				<u>10,598,529</u>
Net assets - ending				<u>\$ 11,669,383</u>
<u>Assets</u>				
Cash and investments				\$ 9,098,852
Restricted assets:				
Cash and investments				<u>2,570,531</u>
Total assets				<u>\$ 11,669,383</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 77,214
Other purposes				2,493,317
Unrestricted				<u>9,098,852</u>
Total net assets				<u>\$ 11,669,383</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, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 8,635,229	\$ -	\$ 88,084	\$ (8,547,145)
Support services	8,610,447	565,905	358,182	(7,686,360)
Noninstructional services	924,284	-	-	(924,284)
Facilities acquisition and construction	571,128	-	-	(571,128)
Debt service	3,100,000	-	-	(3,100,000)
Nonprogrammed charges	<u>1,508,536</u>	<u>-</u>	<u>-</u>	<u>(1,508,536)</u>
Total government	<u>\$ 23,349,624</u>	<u>\$ 565,905</u>	<u>\$ 446,266</u>	<u>(22,337,453)</u>
General receipts:				
Property taxes				9,369,294
Other local sources				1,140,871
State aid				10,859,241
Grants and contributions not restricted to specific programs				1,571,647
Sale of property				2,242
Investment earnings				14,697
Other				<u>2,144</u>
Total general receipts				<u>22,960,136</u>
Change in net assets				622,683
Net assets - beginning				<u>11,669,383</u>
Net assets - ending				<u>\$ 12,292,066</u>
<u>Assets</u>				
Cash and investments				\$ 8,221,615
Restricted assets:				
Cash and investments				<u>4,070,451</u>
Total assets				<u>\$ 12,292,066</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,701,393
Other purposes				2,369,058
Unrestricted				<u>8,221,615</u>
Total net assets				<u>\$ 12,292,066</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, 2009

	General	Rainy Day	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 4,325,388	\$ 38,811	\$ 3,292,760	\$ 1,925,414	\$ 1,729,543	\$ 11,311,916
Intermediate sources	445	-	-	-	656	1,101
State sources	8,439,537	-	-	-	186,821	8,626,358
Federal sources	284,818	-	-	-	1,626,219	1,911,037
Interfund loans	-	-	955,216	-	465,216	1,420,432
Other	1,731	-	-	-	2,623	4,354
Total receipts	13,051,919	38,811	4,247,976	1,925,414	4,011,078	23,275,198
Disbursements:						
Current:						
Instruction	7,799,495	-	-	-	1,085,924	8,885,419
Support services	3,082,845	85,236	-	765,349	1,516,922	5,450,352
Noninstructional services	208,034	-	-	-	702,817	910,851
Facilities acquisition and construction	1,823	-	-	488,207	-	490,030
Debt services	-	-	4,470,328	-	460,118	4,930,446
Nonprogrammed charges	373,737	-	-	-	118,055	491,792
Interfund loans	-	-	110,216	1,200,000	110,216	1,420,432
Total disbursements	11,465,934	85,236	4,580,544	2,453,556	3,994,052	22,579,322
Excess (deficiency) of receipts over disbursements	1,585,985	(46,425)	(332,568)	(528,142)	17,026	695,876
Other financing sources (uses):						
Proceeds of long-term debt	-	-	60,219	-	-	60,219
Sale of capital assets	905	-	-	507	2,620	4,032
Transfers in	39,721	301,816	34,987	20,981	32,530	430,035
Transfers out	(64,358)	-	-	(301,816)	(128,219)	(494,393)
Total other financing sources (uses)	(23,732)	301,816	95,206	(280,328)	(93,069)	(107)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,562,253	255,391	(237,362)	(808,470)	(76,043)	695,769
Cash and investments - beginning	1,285,134	3,232,611	314,576	2,177,294	1,470,682	8,480,297
Cash and investments - ending	<u>\$ 2,847,387</u>	<u>\$ 3,488,002</u>	<u>\$ 77,214</u>	<u>\$ 1,368,824</u>	<u>\$ 1,394,639</u>	9,176,066
Amounts reported for governmental activities in the Statement of 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 operating receipts and operating disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						<u>2,493,317</u>
Net assets of governmental activities						<u>\$ 11,669,383</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,847,387	\$ 3,488,002	\$ -	\$ 1,368,824	\$ 1,394,639	\$ 9,098,852
Restricted assets:						
Cash and investments	-	-	77,214	-	-	77,214
Total cash and investment assets - ending	<u>\$ 2,847,387</u>	<u>\$ 3,488,002</u>	<u>\$ 77,214</u>	<u>\$ 1,368,824</u>	<u>\$ 1,394,639</u>	<u>\$ 9,176,066</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 77,214	\$ -	\$ -	\$ 77,214
Unrestricted	2,847,387	3,488,002	-	1,368,824	1,394,639	9,098,852
Total cash and investment fund balance - ending	<u>\$ 2,847,387</u>	<u>\$ 3,488,002</u>	<u>\$ 77,214</u>	<u>\$ 1,368,824</u>	<u>\$ 1,394,639</u>	<u>\$ 9,176,066</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, 2010

	General	Rainy Day	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 528,981	\$ 4,815	\$ 5,404,075	\$ 2,780,716	\$ 2,367,651	\$ 11,086,238
Intermediate sources	668	-	-	-	394	1,062
State sources	10,880,603	-	-	-	172,060	11,052,663
Federal sources	284,053	-	-	-	1,540,438	1,824,491
Interfund loans	-	-	-	1,200,000	-	1,200,000
Other	238	-	-	300	1,606	2,144
Total receipts	11,694,543	4,815	5,404,075	3,981,016	4,082,149	25,166,598
Disbursements:						
Current:						
Instruction	7,202,647	-	-	-	1,432,582	8,635,229
Support services	3,028,303	3,433,612	-	879,880	1,268,652	8,610,447
Noninstructional services	213,545	12,560	-	-	698,179	924,284
Facilities acquisition and construction	3,066	-	-	568,062	-	571,128
Debt services	-	-	3,100,000	-	-	3,100,000
Nonprogrammed charges	441,539	-	-	-	34,308	475,847
Interfund loans	-	-	845,000	-	355,000	1,200,000
Total disbursements	10,889,100	3,446,172	3,945,000	1,447,942	3,788,721	23,516,935
Excess (deficiency) of receipts over disbursements	805,443	(3,441,357)	1,459,075	2,533,074	293,428	1,649,663
Other financing sources (uses):						
Sale of capital assets	1,395	-	-	-	847	2,242
Transfers in	67	312,664	165,104	77,794	61,840	617,469
Transfers out	(1,181,173)	-	-	(312,664)	(28,595)	(1,522,432)
Total other financing sources (uses)	(1,179,711)	312,664	165,104	(234,870)	34,092	(902,721)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(374,268)	(3,128,693)	1,624,179	2,298,204	327,520	746,942
Cash and investments - beginning	2,847,387	3,488,002	77,214	1,368,824	1,394,639	9,176,066
Cash and investments - ending	<u>\$ 2,473,119</u>	<u>\$ 359,309</u>	<u>\$ 1,701,393</u>	<u>\$ 3,667,028</u>	<u>\$ 1,722,159</u>	9,923,008
Amounts reported for governmental activities in the Statement of 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 operating receipts and operating disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						<u>2,369,058</u>
Net assets of governmental activities						<u>\$ 12,292,066</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,473,119	\$ 359,309	\$ -	\$ 3,667,028	\$ 1,722,159	\$ 8,221,615
Restricted assets:						
Cash and investments	-	-	1,701,393	-	-	1,701,393
Total cash and investment assets - ending	\$ 2,473,119	\$ 359,309	\$ 1,701,393	\$ 3,667,028	\$ 1,722,159	\$ 9,923,008
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 1,701,393	\$ -	\$ -	\$ 1,701,393
Unrestricted	2,473,119	359,309	-	3,667,028	1,722,159	8,221,615
Total cash and investment fund balance - ending	\$ 2,473,119	\$ 359,309	\$ 1,701,393	\$ 3,667,028	\$ 1,722,159	\$ 9,923,008

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 FUND
For the Year Ended June 30, 2009

	Internal Service Fund <u>(Self-Insurance)</u>
Operating receipts:	
Charges for services	\$ 1,598,249
Miscellaneous	<u>22,399</u>
Total operating receipts	<u>1,620,648</u>
Operating disbursements:	
Insurance claims and expense	<u>1,309,921</u>
Excess of operating receipts over operating disbursements	310,727
Transfers in	<u>64,358</u>
Change in net assets	375,085
Cash and investment fund balance - beginning	<u>2,118,232</u>
Cash and investment fund balance - ending	<u><u>\$ 2,493,317</u></u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u><u>\$ 2,493,317</u></u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u><u>\$ 2,493,317</u></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 FUND
For the Year Ended June 30, 2010

	Internal Service Fund <u>(Self-Insurance)</u>
Operating receipts:	
Charges for services	\$ 990,595
Miscellaneous	<u>3,467</u>
Total operating receipts	<u>994,062</u>
Operating disbursements:	
Insurance claims and expense	<u>2,023,284</u>
Deficiency of operating receipts over operating disbursements	(1,029,222)
Transfers in	<u>904,963</u>
Change in net assets	(124,259)
Cash and investment fund balance - beginning	<u>2,493,317</u>
Cash and investment fund balance - ending	<u><u>\$ 2,369,058</u></u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u><u>\$ 2,369,058</u></u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u><u>\$ 2,369,058</u></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, 2009

	Pension Trust Funds <u>(Retirement/Severance)</u>	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 15,355	\$ -	
Deductions:			
Benefits	26,926	-	
Administrative and general	<u>-</u>	<u>3,257</u>	
Total deductions	<u>26,926</u>	<u>3,257</u>	
Deficiency of total additions over total deductions	(11,571)	(3,257)	
Cash and investment fund balance - beginning	<u>11,571</u>	<u>4,464</u>	
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 1,207</u>	<u>\$ 21,371</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 1,207</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, 2010

	Pension Trust Funds (Retirement/Severance)	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 3,430,828	\$ -	
Deductions:			
Benefits	96,182	-	
Administrative and general	-	363	
Total deductions	96,182	363	
Excess (deficiency) of total additions over total deductions	3,334,646	(363)	
Cash and investment fund balance - beginning	-	1,207	
Cash and investment fund balance - ending	\$ 3,334,646	\$ 844	\$ 20,604
Total net assets - cash and investment basis held in trust	\$ 3,334,646	\$ 844	

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 Ventures

The School Corporation is a participant in a joint venture to operate Elkhart County Special Education Cooperative (ECSEC) with five other Elkhart County Public School Corporations. ECSEC was created to provide services to students with special physical, mental and/or emotional needs in the most efficient manner possible (Special Education Program). The School Corporation is obligated by contract to remit \$565,057 annually to supplement the Elkhart County Special Education Cooperative (ECSEC). The School Corporation also is a participant in a joint venture called the Elkhart County Education Interlocal with four other Elkhart County Public School Corporations. 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.

The School Corporation is a participant in a joint venture to operate Northern Indiana Educational Service Center (NIESC) which was created to allow participating schools to cooperate and share certain programs and services, which collectively they may implement. The School Corporation is obligated by contract to remit \$9,113 annually to supplement the NIESC. The NIESC's continued existence depends on continued funding by the School Corporations. Complete financial statements for the NIESC can be obtained from the administrative offices of Plymouth Community Schools at 611 Berkley Street, Plymouth, Indiana, 46563.

The School Corporation is a participant in a joint venture to operate Wawasee Area Career and Technical Cooperative (Co-Op) which was created to provide occupational training to students. The School Corporation is obligated by contract to remit \$1 annually to supplement the Co-Op. Complete financial statements for the Co-Op can be obtained from Wawasee Community Schools at #1 Warrior Path, Bldg. #2, Syracuse, Indiana, 46567.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and 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 rainy day fund is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

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.

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

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for the self-insurance fund covering health and dental benefits to employees, retirees, and dependents on a premium cost basis.

The pension trust fund accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the school cooperation in a trustee capacity.

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

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Agency funds account for assets held by the School Corporation as an agent for employee payroll withholdings and serve as 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 a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise 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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

by February 15. 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 may 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.

4. 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.

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

- 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.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and 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 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 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 but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is 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 loans and 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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

board to obtain taxpayer comments. Prior to November 1, 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.

B. Cash and Investment Balance Deficits

At June 30, 2010, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2010
Title I - Grants to LEAs (Stimulus)	\$ 2,159
Special Education Part B (Stimulus)	3,237

Cash and investment deficits arose primarily from reimbursement grants. The School Corporation spends money and requests for reimbursement from the grant agency. The deficits are repaid when the grant agency approves the request for reimbursement.

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. IC 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. All funds will be deposited at an approved depository. At June 30, 2010, the School Corporation had deposit balances in the amount of \$15,648,161. Of this amount, the following was exposed to custodial credit risk:

	2009	2010
Uninsured deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name	<u>\$ 11,954,139</u>	<u>\$ 8,093,848</u>

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Debt Service Fund	\$ -	\$ 165,104
General Fund	Capital Projects Fund	-	77,794
General Fund	Other Governmental Funds	-	48,314
General Fund	Self-Insurance Fund	64,358	889,961
Capital Projects Fund	Rainy Day Fund	301,816	312,664
Other Governmental Funds	General Fund	39,721	67
Other Governmental Funds	Debt Service Fund	34,987	-
Other Governmental Funds	Capital Projects Fund	20,981	-
Other Governmental Funds	Other Governmental Funds	32,530	13,526
Other Governmental Funds	Self-Insurance Fund	-	15,002
Totals		<u>\$ 494,393</u>	<u>\$ 1,522,432</u>

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

C. Reclassification

The School Lunch (clearing account) has been removed from the School Lunch Fund, a Governmental Fund, and reclassified as an Agency Fund. The reclassification is as follows:

Opinion Unit	Balance as Reported June 30, 2008	Fund Reclassification	Balance as Restated July 1, 2008
Governmental Funds	\$ 8,490,866	\$ (10,569)	\$ 8,480,297
Agency Funds	10,722	10,569	21,291

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 and dental benefits to employees, retirees, and dependents; and natural disasters.

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.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The School Corporation purchases commercial insurance for claims in excess of \$40,000 per year provided by the fund. Amounts are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. Inter-fund premiums are based upon an overall premium percentage, which is applied to each affected fund.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporations

The School Corporation has entered into a capital lease with Fairfield Jr.-Sr. High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$680,000, and \$680,000, respectively.

The School Corporation has entered into a capital lease with Fairfield School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$2,419,000, and \$2,485,000 respectively.

C. Subsequent Event

The School Corporation approved and signed resolution on November 11, 2010, in response to approval from the Indiana Department of Education of its School Corporation's Qualified School Construction Bond application. The resolution states the School Corporation proposes to issue bonds in an amount not to exceed \$630,000 for the purpose of providing funds to pay the cost of renovations of and improvements to Millersburg Elementary School and Fairfield Jr.-Sr. High School, and then the remaining schools if any funds are still remaining.

D. Termination Benefits

An early retirement incentive plan for certified teachers was approved for the 2009-10 school year. Teachers who chose to retire early received a one-time \$16,000 contribution to their 401(a) retirement account. Teachers who were applicable to participate needed to have worked 15 consecutive years of service at Fairfield, meet the Teachers' Retirement Fund Rule of 85, and must be at the top-step of the 2009-10 Masters Salary Schedule of the School Corporation's. One teacher accepted the plan, and the cost of \$16,000, was paid out the same fund that the teacher was regularly paid from.

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Other 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, twenty-one 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 postretirement. 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 postretirement. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2010, disbursements recognized for postemployment benefits were not available.

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, nineteen employees meet these eligibility requirements and six 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 postretirement. Disbursements for these postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2010, \$38,195 of retirement benefits accrued. Disbursement of this benefit was made in July 2010.

F. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

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. 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:

FAIRFIELD COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation for the periods ending June 30, 2009 and 2010, were \$192,375 and \$224,729, respectively.

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 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

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.

The School Corporation's contributions to the plan during the periods ending June 30, 2009 and 2010, were \$230,513 and \$244,041, respectively.

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, 2009

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Educational License Plate
Receipts:						
Local sources	\$ 900,609	\$ 15,606	\$ 452,221	\$ 123,202	\$ -	\$ -
Intermediate sources	-	-	-	-	-	656
State sources	-	62,363	16,008	33,892	-	-
Federal sources	-	-	266,710	-	-	-
Interfund loans	175,000	-	-	-	-	-
Other	2,588	-	-	35	-	-
Total receipts	1,078,197	77,969	734,939	157,129	-	656
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	944,656	-	-	158,770	-	-
Noninstructional services	-	-	684,998	-	-	-
Debt services	371,992	-	-	-	-	-
Nonprogrammed charges	-	118,055	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	1,316,648	118,055	684,998	158,770	-	-
Excess (deficiency) of receipts over disbursements	(238,451)	(40,086)	49,941	(1,641)	-	656
Other financing sources (uses):						
Sale of capital assets	-	-	-	1,385	-	-
Transfers in	9,603	137	-	-	-	-
Transfers out	-	-	-	(878)	(106,494)	-
Total other financing sources (uses)	9,603	137	-	507	(106,494)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(228,848)	(39,949)	49,941	(1,134)	(106,494)	656
Cash and investments - beginning	407,498	43,662	412,568	305,908	106,494	3,601
Cash and investments - ending	\$ 178,650	\$ 3,713	\$ 462,509	\$ 304,774	\$ -	\$ 4,257
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 178,650</u>	<u>\$ 3,713</u>	<u>\$ 462,509</u>	<u>\$ 304,774</u>	<u>\$ -</u>	<u>\$ 4,257</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 178,650</u>	<u>\$ 3,713</u>	<u>\$ 462,509</u>	<u>\$ 304,774</u>	<u>\$ -</u>	<u>\$ 4,257</u>

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, 2009
 (Continued)

	High Ability Grant	Medicaid Reimbursement	Non-English Speaking Program	School Technology	Title I 2007-08	Title I, School Improvement
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	34,383	-	40,175	-	-	-
Federal sources	-	-	-	-	25,000	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>34,383</u>	<u>-</u>	<u>40,175</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	44,841	424	40,174	-	13,236	1,804
Support services	-	-	-	-	42	-
Noninstructional services	-	-	-	-	1,894	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	<u>44,841</u>	<u>424</u>	<u>40,174</u>	<u>-</u>	<u>15,172</u>	<u>1,804</u>
Excess (deficiency) of receipts over disbursements	<u>(10,458)</u>	<u>(424)</u>	<u>1</u>	<u>-</u>	<u>9,828</u>	<u>(1,804)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(20,847)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,847)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(10,458)</u>	<u>(424)</u>	<u>1</u>	<u>-</u>	<u>(11,019)</u>	<u>(1,804)</u>
Cash and investments - beginning	<u>10,458</u>	<u>523</u>	<u>-</u>	<u>2,869</u>	<u>11,019</u>	<u>1,804</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 1</u>	<u>\$ 2,869</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 1</u>	<u>\$ 2,869</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 1</u>	<u>\$ 2,869</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2009
 (Continued)

	Title I 2008-09	Title V-A Innovative Education 05-06	Drug Free Schools 2008-09	Disaster Grants	Title II Improving Teacher Quality
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	261,934	-	5,970	-	40,219
Interfund loans	-	-	-	-	-
Other	-	-	-	-	-
Total receipts	<u>261,934</u>	<u>-</u>	<u>5,970</u>	<u>-</u>	<u>40,219</u>
Disbursements:					
Current:					
Instruction	241,295	-	-	-	60,072
Support services	11,327	-	5,970	-	514
Noninstructional services	-	138	-	-	3,912
Debt services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Interfund loans	-	-	-	-	-
Total disbursements	<u>252,622</u>	<u>138</u>	<u>5,970</u>	<u>-</u>	<u>64,498</u>
Excess (deficiency) of receipts over disbursements	<u>9,312</u>	<u>(138)</u>	<u>-</u>	<u>-</u>	<u>(24,279)</u>
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	-
Transfers in	20,847	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>20,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>30,159</u>	<u>(138)</u>	<u>-</u>	<u>-</u>	<u>(24,279)</u>
Cash and investments - beginning	<u>-</u>	<u>138</u>	<u>-</u>	<u>1,500</u>	<u>29,779</u>
Cash and investments - ending	<u>\$ 30,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 5,500</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 30,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 5,500</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 30,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 5,500</u>

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, 2009
 (Continued)

	Title III English Proficiency	Fiscal Stabilization - Education (Stimulus)	Title I - Grants to LEAs (Stimulus)	School Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 237,905	\$ 1,729,543
Intermediate sources	-	-	-	-	656
State sources	-	-	-	-	186,821
Federal sources	36,000	961,420	28,966	-	1,626,219
Interfund loans	-	-	-	290,216	465,216
Other	-	-	-	-	2,623
Total receipts	<u>36,000</u>	<u>961,420</u>	<u>28,966</u>	<u>528,121</u>	<u>4,011,078</u>
Disbursements:					
Current:					
Instruction	39,719	644,359	-	-	1,085,924
Support services	58	147,299	-	248,286	1,516,922
Noninstructional services	-	11,875	-	-	702,817
Debt services	-	-	-	88,126	460,118
Nonprogrammed charges	-	-	-	-	118,055
Interfund loans	-	-	-	110,216	110,216
Total disbursements	<u>39,777</u>	<u>803,533</u>	<u>-</u>	<u>446,628</u>	<u>3,994,052</u>
Excess (deficiency) of receipts over disbursements	<u>(3,777)</u>	<u>157,887</u>	<u>28,966</u>	<u>81,493</u>	<u>17,026</u>
Other financing sources (uses):					
Sale of capital assets	-	-	-	1,235	2,620
Transfers in	-	-	-	1,943	32,530
Transfers out	-	-	-	-	(128,219)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,178</u>	<u>(93,069)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(3,777)</u>	<u>157,887</u>	<u>28,966</u>	<u>84,671</u>	<u>(76,043)</u>
Cash and investments - beginning	<u>3,777</u>	<u>-</u>	<u>-</u>	<u>129,084</u>	<u>1,470,682</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 157,887</u>	<u>\$ 28,966</u>	<u>\$ 213,755</u>	<u>\$ 1,394,639</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ -</u>	<u>\$ 157,887</u>	<u>\$ 28,966</u>	<u>\$ 213,755</u>	<u>\$ 1,394,639</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ -</u>	<u>\$ 157,887</u>	<u>\$ 28,966</u>	<u>\$ 213,755</u>	<u>\$ 1,394,639</u>

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, 2010

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Educational License Plate	High Ability Grant
Receipts:						
Local sources	\$ 1,503,616	\$ (3,713)	\$ 451,657	\$ 127,792	\$ -	\$ -
Intermediate sources	-	-	-	-	394	-
State sources	-	34,375	13,904	34,957	-	34,071
Federal sources	-	-	306,590	-	-	-
Other	1,599	-	7	-	-	-
Total receipts	1,505,215	30,662	772,158	162,749	394	34,071
Disbursements:						
Current:						
Instruction	-	-	-	-	-	32,300
Support services	929,025	-	-	129,245	-	-
Noninstructional services	-	-	694,201	-	-	-
Nonprogrammed charges	-	34,308	-	-	-	-
Interfund loans	175,000	-	-	-	-	-
Total disbursements	1,104,025	34,308	694,201	129,245	-	32,300
Excess (deficiency) of receipts over disbursements	401,190	(3,646)	77,957	33,504	394	1,771
Other financing sources (uses):						
Sale of capital assets	-	-	-	847	-	-
Transfers in	41,157	-	-	-	-	-
Transfers out	(15,002)	(67)	-	-	-	-
Total other financing sources (uses)	26,155	(67)	-	847	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	427,345	(3,713)	77,957	34,351	394	1,771
Cash and investments - beginning	178,650	3,713	462,509	304,774	4,257	-
Cash and investments - ending	\$ 605,995	\$ -	\$ 540,466	\$ 339,125	\$ 4,651	\$ 1,771
Cash and Investment Assets - Ending						
Cash and investments	\$ 605,995	\$ -	\$ 540,466	\$ 339,125	\$ 4,651	\$ 1,771
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 605,995	\$ -	\$ 540,466	\$ 339,125	\$ 4,651	\$ 1,771

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, 2010
 (Continued)

	Medicaid Reimbursement	Non-English Speaking Program	School Technology	Excess PTRC Distribution	Title I 2008-09	Title I 2009-10
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	2,731	32,651	-	19,371	-	-
Federal sources	-	-	-	-	-	275,582
Other	-	-	-	-	-	-
Total receipts	2,731	32,651	-	19,371	-	275,582
Disbursements:						
Current:						
Instruction	201	32,395	-	-	13,546	209,975
Support services	-	-	2,869	-	3,087	33,853
Noninstructional services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	201	32,395	2,869	-	16,633	243,828
Excess (deficiency) of receipts over disbursements	2,530	256	(2,869)	19,371	(16,633)	31,754
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	13,526
Transfers out	-	-	-	-	(13,526)	-
Total other financing sources (uses)	-	-	-	-	(13,526)	13,526
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,530	256	(2,869)	19,371	(30,159)	45,280
Cash and investments - beginning	99	1	2,869	-	30,159	-
Cash and investments - ending	\$ 2,629	\$ 257	\$ -	\$ 19,371	\$ -	\$ 45,280
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,629	\$ 257	\$ -	\$ 19,371	\$ -	\$ 45,280
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 2,629	\$ 257	\$ -	\$ 19,371	\$ -	\$ 45,280

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, 2010
 (Continued)

	Title V-A Innovative Education 05-06	Drug Free Schools 2009-10	Disaster Grants	Title II Improving Teacher Quality	Title III English Proficiency
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	1,069	7,291	-	95,269	34,840
Other	-	-	-	-	-
Total receipts	<u>1,069</u>	<u>7,291</u>	<u>-</u>	<u>95,269</u>	<u>34,840</u>
Disbursements:					
Current:					
Instruction	-	-	1,500	96,791	33,828
Support services	1,069	7,291	-	-	-
Noninstructional services	-	-	-	3,978	-
Nonprogrammed charges	-	-	-	-	-
Interfund loans	-	-	-	-	-
Total disbursements	<u>1,069</u>	<u>7,291</u>	<u>1,500</u>	<u>100,769</u>	<u>33,828</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>(5,500)</u>	<u>1,012</u>
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>(5,500)</u>	<u>1,012</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>5,500</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,012</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,012</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,012</u>

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, 2010
 (Continued)

	Fiscal Stabilization - Education (Stimulus)	Title I - Grants to LEAs (Stimulus)	Special Education Part B (Stimulus)	School Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 288,299	\$ 2,367,651
Intermediate sources	-	-	-	-	394
State sources	-	-	-	-	172,060
Federal sources	415,589	130,329	273,879	-	1,540,438
Other	-	-	-	-	1,606
Total receipts	<u>415,589</u>	<u>130,329</u>	<u>273,879</u>	<u>288,299</u>	<u>4,082,149</u>
Disbursements:					
Current:					
Instruction	573,476	161,454	277,116	-	1,432,582
Support services	-	-	-	162,213	1,268,652
Noninstructional services	-	-	-	-	698,179
Nonprogrammed charges	-	-	-	-	34,308
Interfund loans	-	-	-	180,000	355,000
Total disbursements	<u>573,476</u>	<u>161,454</u>	<u>277,116</u>	<u>342,213</u>	<u>3,788,721</u>
Excess (deficiency) of receipts over disbursements	<u>(157,887)</u>	<u>(31,125)</u>	<u>(3,237)</u>	<u>(53,914)</u>	<u>293,428</u>
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	847
Transfers in	-	-	-	7,157	61,840
Transfers out	-	-	-	-	(28,595)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,157</u>	<u>34,092</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(157,887)</u>	<u>(31,125)</u>	<u>(3,237)</u>	<u>(46,757)</u>	<u>327,520</u>
Cash and investments - beginning	<u>157,887</u>	<u>28,966</u>	<u>-</u>	<u>213,755</u>	<u>1,394,639</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (2,159)</u>	<u>\$ (3,237)</u>	<u>\$ 166,998</u>	<u>\$ 1,722,159</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ -</u>	<u>\$ (2,159)</u>	<u>\$ (3,237)</u>	<u>\$ 166,998</u>	<u>\$ 1,722,159</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ -</u>	<u>\$ (2,159)</u>	<u>\$ (3,237)</u>	<u>\$ 166,998</u>	<u>\$ 1,722,159</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, 2009

	NIE Trust	Higgins Trust	Schini Trust	Totals
Deductions:				
Administrative and general	\$ 2,257	\$ 1,000	\$ -	\$ 3,257
Deficiency of total additions over total deductions	(2,257)	(1,000)	-	(3,257)
Cash and investment fund balance - beginning	3,101	1,000	363	4,464
Cash and investments - ending	\$ 844	\$ -	\$ 363	\$ 1,207
Total net assets - cash and investment basis held in trust	\$ 844	\$ -	\$ 363	\$ 1,207

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, 2010

	<u>NIE Trust</u>	<u>Schini Trust</u>	<u>Totals</u>
Deductions:			
Administrative and general	\$ -	\$ 363	\$ 363
Deficiency of total additions over total deductions	-	(363)	(363)
Cash and investment fund balance - beginning	<u>844</u>	<u>363</u>	<u>1,207</u>
Cash and investments - ending	<u>\$ 844</u>	<u>\$ -</u>	<u>\$ 844</u>
Total net assets - cash and investment basis held in trust	<u>\$ 844</u>	<u>\$ -</u>	<u>\$ 844</u>

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	<u>Payroll</u>	<u>School Lunch Clearing</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 3,046,975	\$ 449,172	\$ 3,496,147
Deductions:			
Agency fund deductions	<u>3,046,661</u>	<u>449,406</u>	<u>3,496,067</u>
Excess (deficiency) of total additions over total deductions	314	(234)	80
Cash and investment fund balance - beginning	<u>10,722</u>	<u>10,569</u>	<u>21,291</u>
Cash and investment fund balance - ending	<u>\$ 11,036</u>	<u>\$ 10,335</u>	<u>\$ 21,371</u>

FAIRFIELD COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	<u>Payroll</u>	<u>School Lunch Clearing</u>	<u>Totals</u>
Additions:			
Agency fund additions	<u>\$ 3,023,430</u>	<u>\$ 447,901</u>	<u>\$ 3,471,331</u>
Deductions:			
Agency fund deductions	<u>3,023,785</u>	<u>448,313</u>	<u>3,472,098</u>
Deficiency of total additions over total deductions	(355)	(412)	(767)
Cash and investment fund balance - beginning	<u>11,036</u>	<u>10,335</u>	<u>21,371</u>
Cash and investment fund balance - ending	<u><u>\$ 10,681</u></u>	<u><u>\$ 9,923</u></u>	<u><u>\$ 20,604</u></u>

FAIRFIELD COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

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	50,458,684
Improvements other than buildings	634,340
Machinery and equipment	<u>4,627,266</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 56,213,940</u></u>

FAIRFIELD COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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 Jr.-Sr. High School Building Corporation	\$ 680,000	\$ 680,000
Fairfield School Building Corporation	<u>27,015,000</u>	<u>2,355,500</u>
Total governmental activities debt	<u>\$ 27,695,000</u>	<u>\$ 3,035,500</u>

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
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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, 2009 and 2010. 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, 2009 and 2010.

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

November 30, 2010

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 32,978	\$ 39,723
National School Lunch Program	10.555		<u>287,186</u>	<u>322,717</u>
Total for federal grantor agency			<u>320,164</u>	<u>362,440</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster				
Title I Grants to Local Educational Agencies School Improvement	84.010		1,804	-
		FY 07-08	15,172	-
		FY 08-09	252,623	16,633
		FY 09-10	<u>-</u>	<u>243,826</u>
Total for program			<u>269,599</u>	<u>260,459</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09-10	<u>-</u>	<u>170,875</u>
Total for cluster			<u>269,599</u>	<u>431,334</u>
Pass-Through Goshen Community Schools Special Education Cluster				
Special Education - Grants to States	84.027	FY 08-09	283,006	-
		FY 09-10	<u>-</u>	<u>311,447</u>
Total for program			<u>283,006</u>	<u>311,447</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09-10	<u>-</u>	<u>277,115</u>
Total for cluster			<u>283,006</u>	<u>588,562</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act (SFSF)	84.394		<u>803,536</u>	<u>573,476</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08-09	5,970	-
		FY 09-10	<u>-</u>	<u>7,291</u>
Total for program			<u>5,970</u>	<u>7,291</u>
State Grants for Innovative Programs	84.298		<u>138</u>	<u>1,069</u>
English Language Acquisition Grants	84.365	FY 07-08	3,777	-
		FY 08-09	36,000	-
		FY 09-10	<u>-</u>	<u>33,828</u>
Total for program			<u>39,777</u>	<u>33,828</u>
Improving Teacher Quality State Grants	84.367	FY 07-08	37,798	-
		FY 08-09	26,700	34,865
		FY 09-10	<u>-</u>	<u>65,904</u>
Total for program			<u>64,498</u>	<u>100,769</u>
Total for federal grantor agency			<u>1,466,524</u>	<u>1,736,329</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		<u>-</u>	<u>1,500</u>
Total federal awards expended			<u>\$ 1,786,688</u>	<u>\$ 2,100,269</u>

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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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 schools shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the year ended June 30, 2010:

Program Title	Federal CFDA Number	
ARRA – Special Education – Grants to States, Recovery Act	84.391	\$ <u>13,902</u>

III. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
National School Lunch Program	10.555	\$ <u>53,454</u>	\$ <u>55,850</u>

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

Title I, Part A Cluster
Special Education Cluster
State Fiscal Stabilization Fund 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 are reportable.

FAIRFIELD COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2010, with Thomas E. Tumey, Superintendent of Schools; Jill Erb, Deputy Treasurer; Dave Thwaites, President of the School Board; Steve Thalheimer, Assistant Superintendent of Schools; and Philip R. Menzie, Administrative Assistant of Business. Our audit disclosed no material items that warrant comment at this time.