

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

FAIRFIELD COMMUNITY SCHOOLS  
ELKHART COUNTY, INDIANA

July 1, 2010 to June 30, 2012



**FILED**  
02/12/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marla Steffen	07-01-10 to 12-31-13
Superintendent of Schools	Thomas E. Tumey Steven Thalheimer	07-01-10 to 01-01-13 01-02-13 to 01-01-16
President of the School Board	Dave Thwaites Mike Morehouse Wayne Miller	07-01-10 to 06-30-11 07-01-11 to 12-31-12 01-01-13 to 12-31-13



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Fairfield Community Schools (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 31, 2013, 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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 31, 2013



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

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

We have audited the financial statement of the Fairfield Community Schools (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated January 31, 2013. 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

Management of the School Corporation is responsible for establishing and maintaining effective 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
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 statement is 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, the School Board, others within the entity, 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

January 31, 2013

## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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FAIRFIELD COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 2,473,119	\$ 11,517,829	\$ 11,642,288	\$ 133,429	\$ 2,482,089	\$ 11,617,482	\$ 11,553,514	\$ 180	\$ 2,546,237
Debt Service	1,701,393	2,679,440	3,074,500	(12,775)	1,293,558	2,436,477	2,422,700	-	1,307,335
Capital Projects	3,667,028	1,852,235	1,759,140	(126,015)	3,634,108	1,769,161	1,709,300	(289,036)	3,404,933
School Transportation	605,995	1,069,415	943,903	32,412	763,919	1,075,225	957,726	-	881,418
School Bus Replacement	166,997	272,172	360,962	986	79,193	260,068	273,202	-	66,059
Rainy Day	359,309	319,825	-	(280,000)	399,134	-	-	(40,000)	359,134
Post-Retirement/Severance Future Benefits	3,334,647	44,945	72,444	320,000	3,627,148	36,359	156,167	330,000	3,837,340
Construction Fund-QSCB	-	1,848	39,111	611,324	574,061	2,317	377,389	-	198,989
School Lunch	540,465	772,738	729,254	56	584,005	810,237	765,048	-	629,194
Textbook Rental	339,125	167,514	185,475	4,249	325,413	204,824	352,496	1,420	179,161
Self-Insurance	2,369,058	1,643,267	1,706,312	-	2,306,013	1,751,089	1,771,134	-	2,285,968
Levy Excess	-	28,739	-	(28,739)	-	1,370	-	22,627	23,997
Educational License Plates	4,651	281	-	-	4,932	319	-	-	5,251
Early Intervention Grant	-	-	-	-	-	3,651	3,651	-	-
Ind.Nie Foundation Grant	844	-	844	-	-	-	-	-	-
Construction, Remodeling, and Equipping Buildings	-	-	-	-	-	11,375	11,375	-	-
United Way Grants	-	1,500	1,500	-	-	3,000	1,894	-	1,106
Instruction Support	1,771	33,561	31,616	-	3,716	32,415	35,088	-	1,043
Medicaid Reimbursement	2,629	1,955	186	-	4,398	7,592	3,195	-	8,795
Cultural Arts	-	300	275	-	25	-	19	-	6
Non-English Speaking Programs P.L. 273-1999	257	28,219	27,841	-	635	22,874	21,383	-	2,126
School Technology	-	7,563	6,907	-	656	7,562	6,329	-	1,889
Excess PTRC Distributions	19,371	-	-	(19,371)	-	22,627	-	(22,627)	-
Title I 09-10	45,280	-	8,383	(36,897)	-	-	-	-	-
Title I 10-11	-	247,582	288,607	36,897	(4,128)	9,173	5,045	-	-
Title I 11-12	-	-	-	-	-	230,466	269,495	-	(39,029)
IDEA	-	313,533	309,380	-	4,153	19,100	23,253	-	-
Special Ed Idea Part B 11-12	-	-	-	-	-	242,699	308,541	-	(65,842)
Title IV Safe & Drug Free 09-10	-	-	-	-	-	1,125	1,125	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	65,212	64,998	-	214	8,995	10,094	-	(885)
Title III, Language Instruction	1,012	27,707	29,656	-	(937)	26,468	30,278	-	(4,747)
Title I - Grants to LEAs	(2,159)	14,481	12,322	-	-	-	-	-	-
Special Education - Part B	(3,237)	125,168	121,931	-	-	44,714	44,714	-	-
Education Jobs	-	-	-	-	-	361,847	361,847	-	-
Clearing Accounts	10,680	2,913,153	2,914,110	-	9,723	2,746,063	2,744,346	-	11,440
School Lunch Clearing Accounts	9,924	465,915	465,629	-	10,210	479,617	479,048	-	10,779
<b>Totals</b>	<b>\$ 15,648,159</b>	<b>\$ 24,616,097</b>	<b>\$ 24,797,574</b>	<b>\$ 635,556</b>	<b>\$ 16,102,238</b>	<b>\$ 24,246,291</b>	<b>\$ 24,699,396</b>	<b>\$ 2,564</b>	<b>\$ 15,651,697</b>

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

FAIRFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

**Note 1. 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 accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

FAIRFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations, and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses may include, but are not limited to, the following:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

FAIRFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

FAIRFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The School Corporation may be 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.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

FAIRFIELD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teacher's Retirement Fund*

*Plan Description*

The Indiana Teacher's Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

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.

**Note 7. Holding Corporation**

The School Corporation has entered into capital leases with the 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 2011 and 2012 totaled \$1,993,500 and \$2,422,500, respectively.

**Note 8. Cash Balance Deficits**

The financial statements contain funds with deficits in cash. This is a result of grant funds being set up as reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2012.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

FAIRFIELD COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post Retirement/ Severance Future Benefits	Construction Fund-QSCB	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,473,119	\$ 1,701,393	\$ 3,667,028	\$ 605,995	\$ 166,997	\$ 359,309	\$ 3,334,647	\$ -	\$ 540,465	\$ 339,125
Receipts:										
Local sources	346,070	2,679,440	1,851,660	1,069,310	272,172	319,825	44,945	1,848	466,333	135,862
Intermediate sources	223	-	-	-	-	-	-	-	-	-
State sources	11,088,480	-	-	-	-	-	-	-	13,695	31,652
Federal sources	80,457	-	-	-	-	-	-	-	291,999	-
Other	2,599	-	575	105	-	-	-	-	711	-
Total receipts	11,517,829	2,679,440	1,852,235	1,069,415	272,172	319,825	44,945	1,848	772,738	167,514
Disbursements:										
Current:										
Instruction	8,323,128	-	-	-	-	-	-	-	-	-
Support services	3,109,601	-	1,167,374	943,903	360,962	-	72,444	-	-	185,475
Noninstructional services	207,487	-	-	-	-	-	-	-	729,254	-
Facilities acquisition and construction	2,072	-	591,766	-	-	-	-	39,111	-	-
Debt services	-	3,074,500	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	11,642,288	3,074,500	1,759,140	943,903	360,962	-	72,444	39,111	729,254	185,475
Excess (deficiency) of receipts over disbursements	(124,459)	(395,060)	93,095	125,512	(88,790)	319,825	(27,499)	(37,263)	43,484	(17,961)
Other financing sources (uses):										
Proceeds of long-term debt	-	18,676	-	-	-	-	-	611,324	-	-
Sale of capital assets	254	-	996	-	-	-	-	-	56	4,249
Transfers in	133,175	8,549	6,164	32,412	986	40,000	320,000	-	-	-
Transfers out	-	(40,000)	(133,175)	-	-	(320,000)	-	-	-	-
Total other financing sources (uses)	133,429	(12,775)	(126,015)	32,412	986	(280,000)	320,000	611,324	56	4,249
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,970	(407,835)	(32,920)	157,924	(87,804)	39,825	292,501	574,061	43,540	(13,712)
Cash and investments - ending	\$ 2,482,089	\$ 1,293,558	\$ 3,634,108	\$ 763,919	\$ 79,193	\$ 399,134	\$ 3,627,148	\$ 574,061	\$ 584,005	\$ 325,413

FAIRFIELD COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Self- Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	Ind.Nie Foundation Grant	Construction Remodeling and Equipping Buildings	United Way Grants	Instruction Support	Medicaid Reimbursement
Cash and investments - beginning	\$ 2,369,058	\$ -	\$ 4,651	\$ -	\$ 844	\$ -	\$ -	\$ 1,771	\$ 2,629
Receipts:									
Local sources	1,643,267	-	-	-	-	-	-	-	-
Intermediate sources	-	-	281	-	-	-	1,500	-	-
State sources	-	-	-	-	-	-	-	33,561	1,955
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	28,739	-	-	-	-	-	-	-
Total receipts	1,643,267	28,739	281	-	-	-	1,500	33,561	1,955
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	1,500	31,616	186
Support services	-	-	-	-	844	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	1,706,312	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	1,706,312	-	-	-	844	-	1,500	31,616	186
Excess (deficiency) of receipts over disbursements	(63,045)	28,739	281	-	(844)	-	-	1,945	1,769
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	(28,739)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(28,739)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(63,045)	-	281	-	(844)	-	-	1,945	1,769
Cash and investments - ending	\$ 2,306,013	\$ -	\$ 4,932	\$ -	\$ -	\$ -	\$ -	\$ 3,716	\$ 4,398

FAIRFIELD COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Cultural Arts	Non-English Speaking Programs P.L. 273-1999	School Technology	Excess PTRC Distributions	Title I 09-10	Title I 10-11	Title I 11-12	IDEA	Special Ed IDEA Part B 11-12
Cash and investments - beginning	\$ -	\$ 257	\$ -	\$ 19,371	\$ 45,280	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	300	-	-	-	-	-	-	-	-
State sources	-	28,219	7,563	-	-	-	-	-	-
Federal sources	-	-	-	-	-	247,582	-	313,533	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	300	28,219	7,563	-	-	247,582	-	313,533	-
Disbursements:									
Current:									
Instruction	275	27,584	-	-	8,383	265,366	-	209,372	-
Support services	-	257	6,907	-	-	23,241	-	100,008	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	275	27,841	6,907	-	8,383	288,607	-	309,380	-
Excess (deficiency) of receipts over disbursements	25	378	656	-	(8,383)	(41,025)	-	4,153	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	36,897	-	-	-
Transfers out	-	-	-	(19,371)	(36,897)	-	-	-	-
Total other financing sources (uses)	-	-	-	(19,371)	(36,897)	36,897	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	25	378	656	(19,371)	(45,280)	(4,128)	-	4,153	-
Cash and investments - ending	\$ 25	\$ 635	\$ 656	\$ -	\$ -	\$ (4,128)	\$ -	\$ 4,153	\$ -

FAIRFIELD COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Title IV Safe & Drug Free 09-10	Improving Teaching Quality No Child Left Title II, Part A	Title III Language Instruction	Title I Grants to LEAs	Special Education Part B	Education Jobs	Clearing Accounts	School Lunch Clearing Accounts	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 1,012	\$ (2,159)	\$ (3,237)	\$ -	\$ 10,680	\$ 9,924	\$ 15,648,159
Receipts:									
Local sources	-	-	-	-	-	-	-	-	8,830,732
Intermediate sources	-	-	-	-	-	-	-	-	2,304
State sources	-	-	-	-	-	-	-	-	11,205,125
Federal sources	-	65,212	27,707	14,481	125,168	-	-	-	1,166,139
Other	-	-	-	-	-	-	2,913,153	465,915	3,411,797
Total receipts	-	65,212	27,707	14,481	125,168	-	2,913,153	465,915	24,616,097
Disbursements:									
Current:									
Instruction	-	64,998	29,656	12,322	121,931	-	-	-	9,096,317
Support services	-	-	-	-	-	-	-	-	5,971,016
Noninstructional services	-	-	-	-	-	-	-	-	936,741
Facilities acquisition and construction	-	-	-	-	-	-	-	-	632,949
Debt services	-	-	-	-	-	-	-	-	3,074,500
Nonprogrammed charges	-	-	-	-	-	-	-	-	1,706,312
Interfund loans	-	-	-	-	-	-	2,914,110	465,629	3,379,739
Total disbursements	-	64,998	29,656	12,322	121,931	-	2,914,110	465,629	24,797,574
Excess (deficiency) of receipts over disbursements	-	214	(1,949)	2,159	3,237	-	(957)	286	(181,477)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	630,000
Sale of capital assets	-	-	-	-	-	-	-	-	5,555
Transfers in	-	-	-	-	-	-	-	-	578,183
Transfers out	-	-	-	-	-	-	-	-	(578,182)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	635,556
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	214	(1,949)	2,159	3,237	-	(957)	286	454,079
Cash and investments - ending	\$ -	\$ 214	\$ (937)	\$ -	\$ -	\$ -	\$ 9,723	\$ 10,210	\$ 16,102,238

FAIRFIELD COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post Retirement/ Severance Future Benefits	Construction Fund- QSCB	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 2,482,089	\$ 1,293,558	\$ 3,634,108	\$ 763,919	\$ 79,193	\$ 399,134	\$ 3,627,148	\$ 574,061	\$ 584,005	\$ 325,413
Receipts:										
Local sources	222,942	2,436,477	1,767,325	1,075,195	260,068	-	36,359	2,317	480,176	162,628
Intermediate sources	445	-	-	-	-	-	-	-	-	-
State sources	11,386,478	-	-	-	-	-	-	-	14,832	42,150
Federal sources	-	-	-	-	-	-	-	-	315,131	-
Other	7,617	-	1,836	30	-	-	-	-	98	46
Total receipts	<u>11,617,482</u>	<u>2,436,477</u>	<u>1,769,161</u>	<u>1,075,225</u>	<u>260,068</u>	<u>-</u>	<u>36,359</u>	<u>2,317</u>	<u>810,237</u>	<u>204,824</u>
Disbursements:										
Current:										
Instruction	8,173,030	-	-	-	-	-	-	-	-	-
Support services	3,176,538	-	1,159,783	957,726	273,202	-	156,167	-	-	352,496
Noninstructional services	201,627	-	-	-	-	-	-	-	765,048	-
Facilities acquisition and construction	2,319	-	549,517	-	-	-	-	377,389	-	-
Debt services	-	2,422,700	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>11,553,514</u>	<u>2,422,700</u>	<u>1,709,300</u>	<u>957,726</u>	<u>273,202</u>	<u>-</u>	<u>156,167</u>	<u>377,389</u>	<u>765,048</u>	<u>352,496</u>
Excess (deficiency) of receipts over disbursements	<u>63,968</u>	<u>13,777</u>	<u>59,861</u>	<u>117,499</u>	<u>(13,134)</u>	<u>-</u>	<u>(119,808)</u>	<u>(375,072)</u>	<u>45,189</u>	<u>(147,672)</u>
Other financing sources (uses):										
Sale of capital assets	180	-	964	-	-	-	-	-	-	1,420
Transfers in	-	-	-	-	-	-	330,000	-	-	-
Transfers out	-	-	(290,000)	-	-	(40,000)	-	-	-	-
Total other financing sources (uses)	<u>180</u>	<u>-</u>	<u>(289,036)</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>330,000</u>	<u>-</u>	<u>-</u>	<u>1,420</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>64,148</u>	<u>13,777</u>	<u>(229,175)</u>	<u>117,499</u>	<u>(13,134)</u>	<u>(40,000)</u>	<u>210,192</u>	<u>(375,072)</u>	<u>45,189</u>	<u>(146,252)</u>
Cash and investments - ending	<u>\$ 2,546,237</u>	<u>\$ 1,307,335</u>	<u>\$ 3,404,933</u>	<u>\$ 881,418</u>	<u>\$ 66,059</u>	<u>\$ 359,134</u>	<u>\$ 3,837,340</u>	<u>\$ 198,989</u>	<u>\$ 629,194</u>	<u>\$ 179,161</u>

FAIRFIELD COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

	Self- Insurance	Levy Excess	Educational License Plates	Early Intervention Grant	Ind.Nie Foundation Grant	Construction Remodeling and Equipping Buildings	United Way Grants	Instruction Support	Medicaid Reimbursement
Cash and investments - beginning	\$ 2,306,013	\$ -	\$ 4,932	\$ -	\$ -	\$ -	\$ -	\$ 3,716	\$ 4,398
Receipts:									
Local sources	1,751,089	1,370	-	-	-	11,375	-	-	-
Intermediate sources	-	-	319	-	-	-	3,000	-	-
State sources	-	-	-	3,651	-	-	-	32,415	7,592
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>1,751,089</u>	<u>1,370</u>	<u>319</u>	<u>3,651</u>	<u>-</u>	<u>11,375</u>	<u>3,000</u>	<u>32,415</u>	<u>7,592</u>
Disbursements:									
Current:									
Instruction	-	-	-	3,651	-	-	1,894	34,987	1,587
Support services	-	-	-	-	-	-	-	101	1,608
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	11,375	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	1,771,134	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>1,771,134</u>	<u>-</u>	<u>-</u>	<u>3,651</u>	<u>-</u>	<u>11,375</u>	<u>1,894</u>	<u>35,088</u>	<u>3,195</u>
Excess (deficiency) of receipts over disbursements	<u>(20,045)</u>	<u>1,370</u>	<u>319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,106</u>	<u>(2,673)</u>	<u>4,397</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	22,627	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>22,627</u>	<u>-</u>	<u>-</u>	<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>(20,045)</u>	<u>23,997</u>	<u>319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,106</u>	<u>(2,673)</u>	<u>4,397</u>
Cash and investments - ending	<u>\$ 2,285,968</u>	<u>\$ 23,997</u>	<u>\$ 5,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,106</u>	<u>\$ 1,043</u>	<u>\$ 8,795</u>

FAIRFIELD COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

	Cultural Arts	Non-English Speaking Programs P.L. 273-1999	School Technology	Excess PTRC Distributions	Title I 09-10	Title I 10-11	Title I 11-12	IDEA	Special Ed IDEA Part B 11-12
Cash and investments - beginning	\$ 25	\$ 635	\$ 656	\$ -	\$ -	\$ (4,128)	\$ -	\$ 4,153	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	22,874	5,671	22,627	-	-	-	-	-
Federal sources	-	-	1,891	-	-	9,173	230,466	19,100	242,699
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	22,874	7,562	22,627	-	9,173	230,466	19,100	242,699
Disbursements:									
Current:									
Instruction	19	21,383	-	-	-	5,045	259,215	23,197	210,942
Support services	-	-	6,329	-	-	-	10,280	56	97,599
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	19	21,383	6,329	-	-	5,045	269,495	23,253	308,541
Excess (deficiency) of receipts over disbursements	(19)	1,491	1,233	22,627	-	4,128	(39,029)	(4,153)	(65,842)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(22,627)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(22,627)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(19)	1,491	1,233	-	-	4,128	(39,029)	(4,153)	(65,842)
Cash and investments - ending	\$ 6	\$ 2,126	\$ 1,889	\$ -	\$ -	\$ -	\$ (39,029)	\$ -	\$ (65,842)

FAIRFIELD COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

	Title IV Safe & Drug Free 09-10	Improving Teaching Quality No Child Left Title II, Part A	Title III Language Instruction	Title I Grants to LEAs	Special Education Part B	Education Jobs	Clearing Accounts	School Lunch Clearing Accounts	Totals
Cash and investments - beginning	\$ -	\$ 214	\$ (937)	\$ -	\$ -	\$ -	\$ 9,723	\$ 10,210	\$ 16,102,238
Receipts:									
Local sources	-	-	-	-	-	-	-	-	8,207,321
Intermediate sources	-	-	-	-	-	-	-	-	3,764
State sources	-	-	-	-	-	-	-	-	11,538,290
Federal sources	1,125	8,995	26,468	-	44,714	361,847	-	-	1,261,609
Other	-	-	-	-	-	-	2,746,063	479,617	3,235,307
Total receipts	<u>1,125</u>	<u>8,995</u>	<u>26,468</u>	<u>-</u>	<u>44,714</u>	<u>361,847</u>	<u>2,746,063</u>	<u>479,617</u>	<u>24,246,291</u>
Disbursements:									
Current:									
Instruction	-	214	26,255	-	44,714	361,847	-	-	9,167,980
Support services	1,125	7,786	4,023	-	-	-	-	-	6,204,819
Noninstructional services	-	2,094	-	-	-	-	-	-	968,769
Facilities acquisition and construction	-	-	-	-	-	-	-	-	940,600
Debt services	-	-	-	-	-	-	-	-	2,422,700
Nonprogrammed charges	-	-	-	-	-	-	-	-	1,771,134
Interfund loans	-	-	-	-	-	-	2,744,346	479,048	3,223,394
Total disbursements	<u>1,125</u>	<u>10,094</u>	<u>30,278</u>	<u>-</u>	<u>44,714</u>	<u>361,847</u>	<u>2,744,346</u>	<u>479,048</u>	<u>24,699,396</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(1,099)</u>	<u>(3,810)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,717</u>	<u>569</u>	<u>(453,105)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	2,564
Transfers in	-	-	-	-	-	-	-	-	352,627
Transfers out	-	-	-	-	-	-	-	-	(352,627)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,564</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(1,099)</u>	<u>(3,810)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,717</u>	<u>569</u>	<u>(450,541)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (885)</u>	<u>\$ (4,747)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,440</u>	<u>\$ 10,779</u>	<u>\$ 15,651,697</u>

FAIRFIELD COMMUNITY SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
JUNE 30, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Fairfield School Building Corporation, Series 2009	Benton Elementary	\$ 498,000	06-30-09	06-30-19
Fairfield School Building Corporation, Series 2003	Millersburg Elementary, New Paris Elementary, Fairfield Jr.-Sr. High School	1,993,000	07-17-03	06-30-28
		<u>-</u>		
Total of annual lease payments		<u>\$ 2,491,000</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Qualified School Construction Bonds, Series 2010	<u>\$ 630,000</u>	<u>\$ 33,684</u>

FAIRFIELD COMMUNITY SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2012

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	50,480,826
Improvements other than buildings	854,115
Machinery and equipment	<u>5,154,872</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 56,983,463</u>

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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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
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 Fairfield Community Schools' (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012.

Internal Control Over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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

January 31, 2013

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

FAIRFIELD COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 37,876	\$ 39,850
National School Lunch Program	10.555		<u>313,282</u>	<u>340,771</u>
Total for federal grantor agency			<u>351,158</u>	<u>380,621</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				
FY 09-10	84.010	10-2155	45,280	-
FY 10-11		11-2155	284,479	9,173
FY 11-12		12-2155	<u>-</u>	<u>230,466</u>
Total for program			<u>329,759</u>	<u>239,639</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09-11	<u>2,901</u>	<u>-</u>
Total for cluster			<u>332,660</u>	<u>239,639</u>
Pass-Through Goshen Community Schools				
Special Education Cluster				
Special Education - Grants to States	84.027	FY 10-11	392,833	19,100
		FY 11-12	<u>-</u>	<u>321,452</u>
Total for program			<u>392,833</u>	<u>340,552</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 11-12	<u>126,446</u>	<u>44,714</u>
Total for cluster			<u>519,279</u>	<u>385,266</u>
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants				
	84.186	FY 09-10	<u>-</u>	<u>1,125</u>
English Language Acquisition Grants				
	84.365	FY 09-10	992	-
		FY 10-11	27,707	2,113
		FY 11-12	<u>-</u>	<u>24,355</u>
Total for program			<u>28,699</u>	<u>26,468</u>
Improving Teacher Quality State Grants				
FY 10-12	84.367	10-2155	65,212	-
FY 11-13		11-2155	<u>-</u>	<u>8,995</u>
Total for program			<u>65,212</u>	<u>8,995</u>
Education Jobs Fund	84.410	FY 10-12	<u>-</u>	<u>361,847</u>
Total for federal grantor agency			<u>945,850</u>	<u>1,023,340</u>
Total federal awards expended			<u>\$ 1,297,008</u>	<u>\$ 1,403,961</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

**Note 1. 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 statement. 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 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.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2011 and 2012:

Program Title	Federal CFDA Number	2011	2012
ARRA - Special Education-Grants to States, Recovery Act	84.391	\$ -	\$ 106

**Note 3. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011	2012
School Breakfast Program	10.553	\$ 5,852	\$ 6,657
National School Lunch Program	10.555	47,507	56,544

FAIRFIELD COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.410	Child Nutrition Cluster Education Jobs Fund

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  
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2013, with Marla Steffen, Treasurer; Wayne Miller, President of the School Board; Steven Thalheimer, Superintendent of Schools; Philip Menzie, Administrative Assistant of Business; and Jill Erb, Deputy Treasurer. Our audit disclosed no material items that warrant comment at this time.