

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2010***

AARON S. JOHNSON, TREASURER



Dave Yost • Auditor of State

Board of Education
Fairbanks Local School District
11158 State Route 38
Milford Center, Ohio 43045

We have reviewed the *Independent Auditor's Report* of the Fairbanks Local School District, Union County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fairbanks Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 20, 2011

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**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Fairbanks Local School District
11158 State Route 38
Milford Center, OH 43045-9764

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, Union County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Fairbanks Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fairbanks Local School District'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 on our consideration of the Fairbanks Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report
Fairbanks Local School District
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the Fairbanks Local School District's basic financial statements. The schedule of receipts and expenditures of federal awards is required by 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. We subjected the schedule of receipts and expenditures of federal awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
December 22, 2010

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of Fairbanks Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets increased \$1,150,852. Net assets of governmental activities increased \$1,148,447, which represents a 17.85% increase from 2009. Net assets of business-type activities increased \$2,405 from 2009.
- For governmental funds, general revenues accounted for \$10,703,365, or 88.83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,345,658, or 11.17%, of total revenues of \$12,049,023.
- The District had \$10,900,576 in expenses related to governmental activities; only \$1,345,658 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,703,365 were adequate to provide for the programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$9,570,460 in revenues and \$9,470,016 in expenditures and other financing uses. The general fund's fund balance increased \$100,444 from a balance of \$2,065,679 to \$2,166,123.
- The bond retirement fund had \$1,200,170 in revenues and other financing sources and \$1,116,780 in expenditures. The debt service fund's fund balance increased \$83,390 from a balance of \$444,265 to \$527,655.
- Net assets for the District's enterprise fund increased \$2,405. The Fairbanks Elementary Extended Day Program (F.E.E.D. Program), a nonmajor enterprise fund, had \$71,402 in operating revenues and \$68,997 in operating expenses.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's F.E.E.D. Program operations are reported as business activities.

The District's statement of net assets and statement of activities can be found on pages 13-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26-55 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below shows the net assets for governmental activities and business-type activities at June 30, 2010 and June 30, 2009.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
<u>Assets</u>						
Current assets	\$ 9,077,836	\$ 9,536,325	\$ 21,227	\$ 19,178	\$ 9,099,063	\$ 9,555,503
Capital assets, net	<u>16,627,362</u>	<u>15,867,514</u>	<u>-</u>	<u>-</u>	<u>16,627,362</u>	<u>15,867,514</u>
Total assets	<u>25,705,198</u>	<u>25,403,839</u>	<u>21,227</u>	<u>19,178</u>	<u>25,726,425</u>	<u>25,423,017</u>
<u>Liabilities</u>						
Current liabilities	5,669,320	5,989,781	7,867	8,223	5,677,187	5,998,004
Long-term liabilities	<u>12,454,932</u>	<u>12,981,559</u>	<u>-</u>	<u>-</u>	<u>12,454,932</u>	<u>12,981,559</u>
Total liabilities	<u>18,124,252</u>	<u>18,971,340</u>	<u>7,867</u>	<u>8,223</u>	<u>18,132,119</u>	<u>18,979,563</u>
<u>Net Assets</u>						
Invested in capital						
assets, net of related debt	4,734,812	3,346,991	-	-	4,734,812	3,346,991
Restricted	1,087,261	1,390,179	-	-	1,087,261	1,390,179
Unrestricted	<u>1,758,873</u>	<u>1,695,329</u>	<u>13,360</u>	<u>10,955</u>	<u>1,772,233</u>	<u>1,706,284</u>
Total net assets	<u>\$ 7,580,946</u>	<u>\$ 6,432,499</u>	<u>\$ 13,360</u>	<u>\$ 10,955</u>	<u>\$ 7,594,306</u>	<u>\$ 6,443,454</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

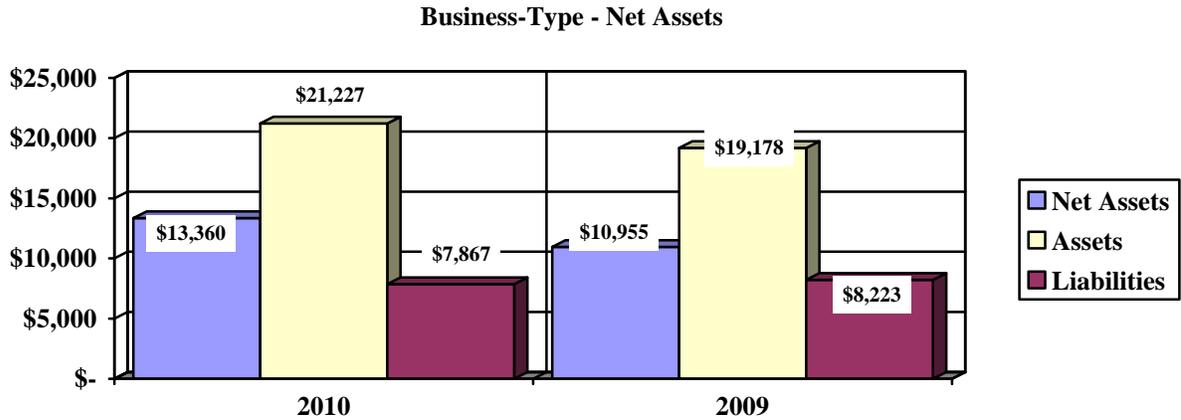
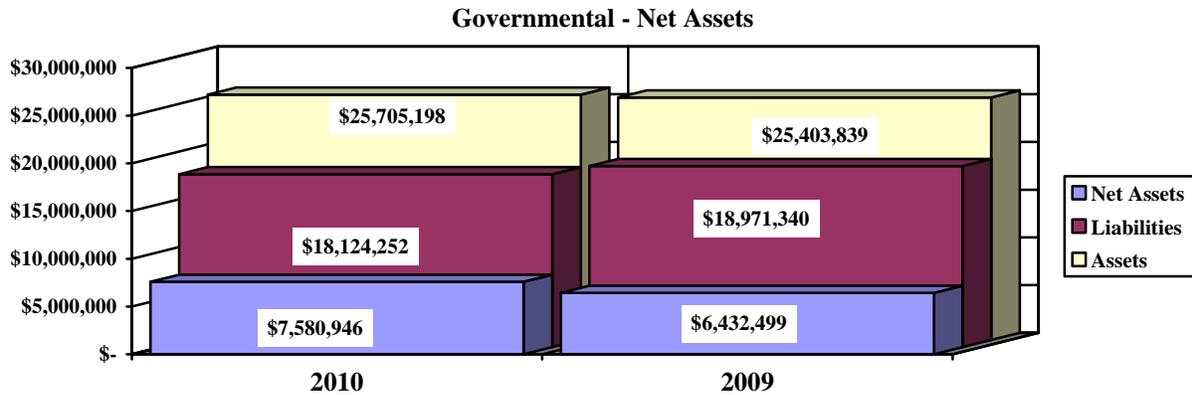
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$7,594,306. \$7,580,946 of this total is in governmental activities, and \$13,360 is in business-type activities.

Capital assets reported on the government-wide statements represented 64.63% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$4,734,812 in the governmental activities. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,087,261, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets, \$1,758,873 is unrestricted in use.

The graphs below show the District's governmental activities and business-type activities assets, liabilities and net assets at June 30, 2010 and June 30, 2009:



**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The table below shows the change in net assets for governmental activities and business-type activities fiscal years 2010 and 2009:

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services and sales	\$ 449,030	\$ 312,625	\$ 71,402	\$ 85,543	\$ 520,432	\$ 398,168
Operating grants and contributions	896,628	717,661	-	-	896,628	717,661
Capital grants and contributions	-	16,321	-	-	-	16,321
General revenues:						
Taxes	7,422,595	7,375,967	-	-	7,422,595	7,375,967
Grants and entitlements	3,195,177	3,009,443	-	-	3,195,177	3,009,443
Investment earnings	50,683	164,906	-	-	50,683	164,906
Other	34,910	66,135	-	-	34,910	66,135
Total revenues	12,049,023	11,663,058	71,402	85,543	12,120,425	11,748,601
Expenses						
Program expenses:						
Instruction:						
Regular	3,948,773	4,666,557	-	-	3,948,773	4,666,557
Special	966,454	878,154	-	-	966,454	878,154
Vocational	41,564	40,653	-	-	41,564	40,653
Other	61,228	61,713	-	-	61,228	61,713
Support services:						
Pupil	731,221	731,079	-	-	731,221	731,079
Instructional staff	456,418	526,930	-	-	456,418	526,930
Board of education	44,639	103,992	-	-	44,639	103,992
Administration	907,360	933,678	-	-	907,360	933,678
Fiscal	394,546	426,488	-	-	394,546	426,488
Operations and maintenance	1,145,300	1,055,436	-	-	1,145,300	1,055,436
Pupil transportation	812,540	830,235	-	-	812,540	830,235
Central	6,859	9,425	-	-	6,859	9,425
Food service	331,416	259,523	-	-	331,416	259,523
Operation of non-instructional services	160,345	170,858	-	-	160,345	170,858
Extracurricular activities	322,891	322,723	-	-	322,891	322,723
Interest and fiscal charges	569,022	584,478	-	-	569,022	584,478
F.E.E.D. Program	-	-	68,997	73,095	68,997	73,095
Total expenses	10,900,576	11,601,922	68,997	73,095	10,969,573	11,675,017
Changes in net assets	1,148,447	61,136	2,405	12,448	1,150,852	73,584
Net assets (deficit) at beginning of year	6,432,499	6,371,363	10,955	(1,493)	6,443,454	6,369,870
Net assets at end of year	\$ 7,580,946	\$ 6,432,499	\$ 13,360	\$ 10,955	\$ 7,594,306	\$ 6,443,454

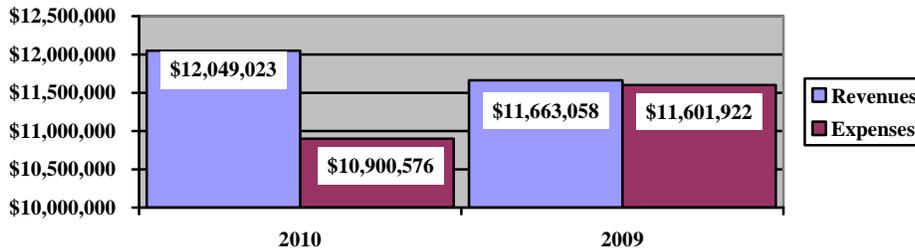
**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Governmental Activities

Net assets of the District's governmental activities increased \$1,148,447. During 2010, total governmental expenses of \$10,900,576 were offset by program revenues of \$1,345,658 and general revenues of \$10,703,365. Program revenues supported 12.34% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 88.12% of total governmental revenue. Real estate property is reappraised every six years. The graph below presents the District's governmental activities revenues and expenses for fiscal years 2010 and 2009.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2010 and 2009.

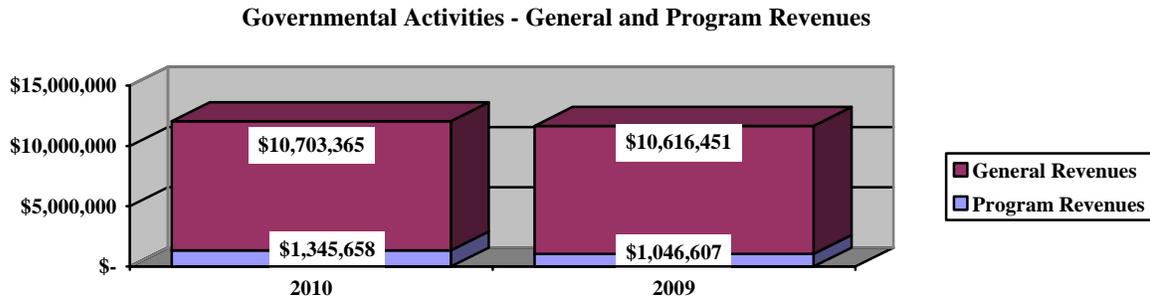
	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses:				
Instruction:				
Regular	\$ 3,948,773	\$ 3,832,217	\$ 4,666,557	\$ 4,583,494
Special	966,454	844,813	878,154	624,758
Vocational	41,564	18,853	40,653	18,111
Other	61,228	61,228	61,713	61,713
Support services:				
Pupil	731,221	561,177	731,079	664,402
Instructional staff	456,418	370,180	526,930	433,670
Board of education	44,639	44,639	103,992	103,992
Administration	907,360	901,378	933,678	933,678
Fiscal	394,546	394,546	426,488	426,488
Operations and maintenance	1,145,300	1,038,392	1,055,436	1,055,436
Pupil transportation	812,540	698,873	830,235	755,879
Central	6,859	-	9,425	425
Food service	331,416	(11,131)	259,523	67,324
Operation of non-instructional services	160,345	(3,330)	170,858	2,112
Extracurricular activities	322,891	234,061	322,723	239,355
Interest and fiscal charges	569,022	569,022	584,478	584,478
Total expenses	\$ 10,900,576	\$ 9,554,918	\$ 11,601,922	\$ 10,555,315

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax revenues during fiscal year 2010 for governmental activities is apparent, as 94.80% of 2010 instruction activities are supported through taxes and other general revenues. General revenue support for all governmental activities was 87.66% in 2010.

The graph below presents the District's governmental activities revenues for fiscal years 2010 and 2009.



Business-Type Activities

Business-type activities include the F.E.E.D. Program operation. This program had operating revenues of \$71,402 and operating expenses of \$68,997 for fiscal year 2010. The District's business activities receive no support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$3,125,785, which is lower than last year's balance of \$3,349,673. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase/ (Decrease)
General	\$ 2,166,123	\$ 2,065,679	\$ 100,444
Bond retirement	527,655	444,265	83,390
Other governmental	<u>432,007</u>	<u>839,729</u>	<u>(407,722)</u>
Total	<u>\$ 3,125,785</u>	<u>\$ 3,349,673</u>	<u>\$ (223,888)</u>

The fund balance of the other governmental funds decreased primarily due to increased expenditures and a transfer out of \$305,443 to the debt service fund.

Fund balance of the bond retirement fund increased as tax revenues were able to support required debt payments and due to a transfer in of \$352,364 received from the general fund and other governmental funds.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

General Fund

The District's general fund balance increased \$100,444 during fiscal year 2010. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,241,586	\$ 6,200,419	\$ 41,167	0.66 %
Tuition	99,402	41,452	57,950	139.80 %
Interest earnings	40,365	54,388	(14,023)	(25.78) %
Intergovernmental	3,140,013	3,111,853	28,160	0.90 %
Other revenues	<u>49,094</u>	<u>68,553</u>	<u>(19,459)</u>	(28.39) %
Total	<u>\$ 9,570,460</u>	<u>\$ 9,476,665</u>	<u>\$ 93,795</u>	0.99 %
<u>Expenditures</u>				
Instruction	\$ 5,383,893	\$ 5,006,708	\$ 377,185	7.53 %
Support services	3,784,146	3,906,635	(122,489)	(3.14) %
Extracurricular activities	223,256	217,632	5,624	2.58 %
Debt service	<u>27,760</u>	<u>27,760</u>	<u>-</u>	- %
Total	<u>\$ 9,419,055</u>	<u>\$ 9,158,735</u>	<u>\$ 260,320</u>	2.84 %

The tuition revenues increased as a result of an increase in open enrollment. Interest earnings decreased due to decreasing interest rates during the year. Other revenues decreased due to a decrease in transportation fees. All other revenues and expenses remained consistent with fiscal year 2009.

Bond Retirement Fund

The bond retirement fund had \$1,200,170 in revenues and other financing sources and \$1,116,780 in expenditures. During fiscal year 2010, the bond retirement fund's fund balance increased \$83,390 from \$444,265 to \$527,655.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2010, the District amended its general fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$9,478,042. This was \$211,468 higher than the original budgeted revenues of \$9,266,574. Actual revenues and other financing sources for fiscal 2010 was \$9,472,147, which is \$5,895 lower than final budgeted revenues.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,316,969 were decreased to \$10,020,235 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$9,492,279, which is \$527,956 lower than the final appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the District had \$16,627,362 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This total amount was reported in governmental activities. The following table shows June 30, 2010 balances compared to June 30, 2009:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009</u>
Land	\$ 80,849	\$ 80,849
Construction in progress	231,497	-
Land improvements	62,045	62,478
Building and improvements	14,612,633	14,167,652
Furniture and equipment	1,217,429	1,209,963
Vehicles	<u>422,909</u>	<u>346,572</u>
Total	<u>\$16,627,362</u>	<u>\$15,867,514</u>

The overall increase in capital assets of \$759,848 is due to capital outlays of \$1,517,148 exceeding depreciation expense of \$506,908 and disposals of \$250,392 (net of accumulated depreciation).

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2010 the District had \$144,000 in energy conservation notes, \$11,026,728 in general obligation bonds, \$32,918 in capital lease and \$555,000 in lease purchase payable outstanding. Of this total, \$659,069 is due within one year and \$11,099,577 is due within greater than one year. The following table summarizes the District's debt obligations outstanding at June 30, 2010 and 2009.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Outstanding Debt, at Year End	Governmental	Governmental
	Governmental	Activities	Activities
	2010	2010	2009
General obligation bonds	\$ 11,026,728	\$ 11,243,619	
Energy conservation notes	144,000	174,000	
Capital lease payable	32,918	56,988	
Lease purchase payable	555,000	835,000	
Total	\$ 11,758,646	\$ 12,309,607	

At June 30, 2010 the District's overall legal debt margin was \$6,354,891 with an unvoted debt margin of \$185,137.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The economy as well as the State of Ohio's financial condition continue to be the biggest concern facing the District.

Income tax collections were down 9.8% compared to prior year. State aid was reduced 1% in 2010, and a 2% reduction is scheduled for 2011. There is concern that more significant cuts to school funding could be made in the state's 2011 budget.

State fiscal stabilization funding from the Federal Government has helped stabilize a portion of the district's budget in the current biennium. The district has and will continue to look at efficiencies and cost reductions. How the economic climate rebounds as well as the State's budget for schools will be the most important factors facing the district's both short and long-term financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Aaron S. Johnson, Treasurer, Fairbanks Local School District, 1158 State Route 38, Milford Center, Ohio 43045.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 2,981,635	\$ 21,227	\$ 3,002,862
Receivables:			
Taxes	5,901,195	-	5,901,195
Intergovernmental	49,047	-	49,047
Accrued interest	1,730	-	1,730
Unamortized bond issuance cost	142,470	-	142,470
Materials and supplies inventory.	1,332	-	1,332
Loans receivable	427	-	427
Capital assets:			
Land and construction in progress.	312,346	-	312,346
Depreciable capital assets, net.	16,315,016	-	16,315,016
Capital assets, net	16,627,362	-	16,627,362
 Total assets.	 <u>25,705,198</u>	 <u>21,227</u>	 <u>25,726,425</u>
Liabilities:			
Accounts payable.	36,091	-	36,091
Contracts payable.	28,500	-	28,500
Accrued wages and benefits	812,099	5,326	817,425
Pension obligation payable.	243,667	2,281	245,948
Intergovernmental payable	51,146	260	51,406
Accrued interest payable	37,364	-	37,364
Unearned revenue	4,460,453	-	4,460,453
Long-term liabilities:			
Due within one year.	739,860	-	739,860
Due in more than one year	11,715,072	-	11,715,072
 Total liabilities	 <u>18,124,252</u>	 <u>7,867</u>	 <u>18,132,119</u>
Net assets:			
Invested in capital assets, net of related debt.	4,734,812	-	4,734,812
Restricted for:			
Capital projects	416,306	-	416,306
Debt service.	502,741	-	502,741
Locally funded programs	551	-	551
State funded programs.	19,184	-	19,184
Federally funded programs	5,829	-	5,829
Public school support	11,385	-	11,385
Student activities	20,313	-	20,313
Other purposes	110,952	-	110,952
Unrestricted	1,758,873	13,360	1,772,233
 Total net assets	 <u>\$ 7,580,946</u>	 <u>\$ 13,360</u>	 <u>\$ 7,594,306</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Instruction:			
Regular	\$ 3,948,773	\$ 101,032	\$ 15,524
Special	966,454	33,294	88,347
Vocational	41,564	-	22,711
Other	61,228	-	-
Support services:			
Pupil	731,221	1,742	168,302
Instructional staff	456,418	-	86,238
Board of education	44,639	-	-
Administration	907,360	48	5,934
Fiscal	394,546	-	-
Operations and maintenance	1,145,300	-	106,908
Pupil transportation	812,540	14,184	99,483
Central	6,859	-	6,859
Operation of non-instructional services:			
Other non-instructional services	160,345	-	163,675
Food service operations	331,416	217,567	124,980
Extracurricular activities	322,891	81,163	7,667
Interest and fiscal charges	569,022	-	-
Total governmental activities	<u>10,900,576</u>	<u>449,030</u>	<u>896,628</u>
Business-type activities:			
F.E.E.D. Program	68,997	71,402	-
Total business-type activities	<u>68,997</u>	<u>71,402</u>	<u>-</u>
Totals	<u>\$ 10,969,573</u>	<u>\$ 520,432</u>	<u>\$ 896,628</u>

General revenues:

Property taxes levied for:

General purposes

Debt service

School district income tax

Grants and entitlements not restricted
to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,832,217)	\$ -	\$ (3,832,217)
(844,813)	-	(844,813)
(18,853)	-	(18,853)
(61,228)	-	(61,228)
(561,177)	-	(561,177)
(370,180)	-	(370,180)
(44,639)	-	(44,639)
(901,378)	-	(901,378)
(394,546)	-	(394,546)
(1,038,392)	-	(1,038,392)
(698,873)	-	(698,873)
-	-	-
3,330	-	3,330
11,131	-	11,131
(234,061)	-	(234,061)
(569,022)	-	(569,022)
(9,554,918)	-	(9,554,918)
-	2,405	2,405
-	2,405	2,405
(9,554,918)	2,405	(9,552,513)
5,076,783	-	5,076,783
750,716	-	750,716
1,595,096	-	1,595,096
3,195,177	-	3,195,177
50,683	-	50,683
34,910	-	34,910
10,703,365	-	10,703,365
1,148,447	2,405	1,150,852
6,432,499	10,955	6,443,454
\$ 7,580,946	\$ 13,360	\$ 7,594,306

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,072,422	\$ 422,428	\$ 399,683	\$ 2,894,533
Receivables:				
Taxes.	5,056,102	705,674	139,419	5,901,195
Intergovernmental	9,496	-	39,551	49,047
Accrued interest	1,730	-	-	1,730
Interfund loans.	3,284	-	-	3,284
Materials and supplies inventory.	-	-	1,332	1,332
Loans receivable	427	-	-	427
Restricted assets:				
Equity in pooled cash and cash equivalents	87,102	-	-	87,102
Total assets	<u>\$ 7,230,563</u>	<u>\$ 1,128,102</u>	<u>\$ 579,985</u>	<u>\$ 8,938,650</u>
Liabilities:				
Accounts payable	\$ 32,309	\$ -	\$ 3,782	\$ 36,091
Contracts payable.	-	-	28,500	28,500
Accrued wages and benefits.	779,761	-	32,338	812,099
Compensated absences payable	43,602	-	-	43,602
Pension obligation payable	230,730	-	12,937	243,667
Intergovernmental payable	46,489	-	4,657	51,146
Interfund loans payable.	-	-	3,284	3,284
Deferred revenue	94,092	12,450	27,481	134,023
Unearned revenue.	3,837,457	587,997	34,999	4,460,453
Total liabilities.	<u>5,064,440</u>	<u>600,447</u>	<u>147,978</u>	<u>5,812,865</u>
Fund balances:				
Reserved for encumbrances	61,969	-	83,432	145,401
Reserved for materials and supplies inventory	-	-	1,332	1,332
Reserved for debt service	-	422,428	-	422,428
Reserved for tax revenue unavailable for appropriation	715,792	105,227	-	821,019
Reserved for BWC refunds	87,102	-	-	87,102
Unreserved, undesignated, reported in:				
General fund.	1,301,260	-	-	1,301,260
Special revenue funds	-	-	12,213	12,213
Capital projects funds	-	-	335,030	335,030
Total fund balances	<u>2,166,123</u>	<u>527,655</u>	<u>432,007</u>	<u>3,125,785</u>
Total liabilities and fund balances	<u>\$ 7,230,563</u>	<u>\$ 1,128,102</u>	<u>\$ 579,985</u>	<u>\$ 8,938,650</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$ 3,125,785
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,627,362
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 97,046	
Intergovernmental receivable	<u>36,977</u>	
Total		134,023
Accrued interest payable on bonds is not due and payable in the current period and therefore is not reported in the funds.		(37,364)
Unamortized premiums on bond issuance are not recognized in the funds.		(325,570)
Unamortized bond issuance costs are not recognized in the funds.		142,470
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(327,114)	
General obligation bonds payable	(11,026,728)	
Capital lease payable	(32,918)	
Lease purchase payable	(555,000)	
Energy conservation note payable	<u>(144,000)</u>	
Total		<u>(12,085,760)</u>
Net assets of governmental activities		<u>\$ 7,580,946</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 6,241,586	\$ 746,730	\$ 398,774	\$ 7,387,090
Tuition.	99,402	-	-	99,402
Transportation fees.	14,184	-	-	14,184
Earnings on investments	40,365	-	11,899	52,264
Charges for services	-	-	217,567	217,567
Extracurricular.	-	-	81,163	81,163
Classroom materials and fees	-	-	36,714	36,714
Other local revenues	34,910	-	45,848	80,758
Intergovernmental - intermediate	1,934	-	300	2,234
Intergovernmental - state	3,138,079	101,076	154,442	3,393,597
Intergovernmental - federal	-	-	641,579	641,579
Total revenues	<u>9,570,460</u>	<u>847,806</u>	<u>1,588,286</u>	<u>12,006,552</u>
Expenditures:				
Current:				
Instruction:				
Regular.	4,457,199	-	53,998	4,511,197
Special	824,091	-	123,674	947,765
Vocational	41,375	-	-	41,375
Other	61,228	-	-	61,228
Support services:				
Pupil	528,494	-	170,380	698,874
Instructional staff	331,063	-	131,602	462,665
Board of education	44,276	-	-	44,276
Administration	864,133	-	6,016	870,149
Fiscal	377,281	14,982	2,219	394,482
Operations and maintenance	888,265	-	106,908	995,173
Pupil transportation	748,541	-	143,898	892,439
Central	-	-	6,859	6,859
Operation of non-instructional services:				
Food service operations	-	-	311,214	311,214
Other non-instructional services	2,093	-	158,417	160,510
Extracurricular activities	223,256	-	98,648	321,904
Facilities acquisition and construction.	-	-	380,772	380,772
Debt service:				
Principal retirement.	24,070	590,000	-	614,070
Interest and fiscal charges	3,690	511,798	-	515,488
Total expenditures	<u>9,419,055</u>	<u>1,116,780</u>	<u>1,694,605</u>	<u>12,230,440</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>151,405</u>	<u>(268,974)</u>	<u>(106,319)</u>	<u>(223,888)</u>
Other financing sources (uses):				
Transfers in.	-	352,364	13,250	365,614
Transfers (out)	<u>(50,961)</u>	<u>-</u>	<u>(314,653)</u>	<u>(365,614)</u>
Total other financing sources (uses)	<u>(50,961)</u>	<u>352,364</u>	<u>(301,403)</u>	<u>-</u>
Net change in fund balances	100,444	83,390	(407,722)	(223,888)
Fund balances at beginning of year	<u>2,065,679</u>	<u>444,265</u>	<u>839,729</u>	<u>3,349,673</u>
Fund balances at end of year.	<u>\$ 2,166,123</u>	<u>\$ 527,655</u>	<u>\$ 432,007</u>	<u>\$ 3,125,785</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds \$ (223,888)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays expense exceeds depreciation in the current period accordingly.

Capital asset additions	\$	1,517,148	
Current year depreciation		(506,908)	
Total			1,010,240

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, donations) is to decrease net assets. (250,392)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes		35,505	
Intergovernmental revenue		18,043	
Earnings on investments		(1,581)	
Total			51,967

Repayment of bond, note, lease purchase obligation and capital lease obligation principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds		280,000	
Energy conservation notes		30,000	
Capital lease obligation		24,070	
Lease purchase obligation		280,000	
Total			614,070

In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.

Decrease in accrued interest payable		1,756	
Accreted interest on "capital appreciation" bonds		(63,109)	
Amortization of bond issue costs		(6,084)	
Amortization of bond premiums		13,903	
Total			(53,534)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (16)

Change in net assets of governmental activities \$ 1,148,447

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,606,427	\$ 6,139,019	\$ 6,137,612	\$ (1,407)
Tuition	61,307	100,107	99,401	(706)
Transportation fees	12,775	13,989	14,184	195
Earnings on investments	36,526	40,000	38,676	(1,324)
Other local revenues	17,785	25,505	34,910	9,405
Intergovernmental - intermediate	1,766	1,934	1,934	-
Intergovernmental - state	3,515,518	3,139,123	3,126,271	(12,852)
Total revenues	<u>9,252,104</u>	<u>9,459,677</u>	<u>9,452,988</u>	<u>(6,689)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,173,962	4,571,790	4,445,926	125,864
Special	727,277	854,339	816,826	37,513
Vocational	40,932	43,237	40,816	2,421
Other	68,853	63,785	60,760	3,025
Support services:				
Pupil	564,591	534,034	517,997	16,037
Instructional staff	360,288	391,614	338,249	53,365
Board of education	87,173	96,382	50,489	45,893
Administration	809,518	915,088	872,284	42,804
Fiscal	350,470	385,399	378,890	6,509
Operations and maintenance	1,011,504	1,070,434	915,904	154,530
Pupil transportation	774,291	775,946	764,078	11,868
Extracurricular activities	217,754	228,940	223,579	5,361
Total expenditures	<u>10,186,613</u>	<u>9,930,988</u>	<u>9,425,798</u>	<u>505,190</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(934,509)</u>	<u>(471,311)</u>	<u>27,190</u>	<u>498,501</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	446	446
Refund of prior year's receipts	(11,809)	(11,809)	(11,809)	-
Transfers (out)	(94,077)	(52,968)	(50,961)	2,007
Advances in	14,470	14,470	14,818	348
Advances (out)	(24,470)	(24,470)	(3,711)	20,759
Sale of capital assets	-	3,895	3,895	-
Total other financing sources (uses)	<u>(115,886)</u>	<u>(70,882)</u>	<u>(47,322)</u>	<u>23,560</u>
Net change in fund balance	(1,050,395)	(542,193)	(20,132)	522,061
Fund balance at beginning of year	2,023,034	2,023,034	2,023,034	-
Prior year encumbrances appropriated . .	73,571	73,571	73,571	-
Fund balance at end of year	<u>\$ 1,046,210</u>	<u>\$ 1,554,412</u>	<u>\$ 2,076,473</u>	<u>\$ 522,061</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Business-Type Activities
	Non-Major Enterprise Fund
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 21,227
Total assets.	21,227
Liabilities:	
Current liabilities:	
Accrued wages and benefits	5,326
Pension obligation payable.	2,281
Intergovernmental payable	260
Total liabilities	7,867
Net assets:	
Unrestricted.	13,360
Total net assets	\$ 13,360

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities
	Non-Major Enterprise Fund
Operating revenues:	
Tuition and fees.	\$ 71,402
Total operating revenues	71,402
Operating expenses:	
Personal services.	60,189
Purchased services.	3,797
Materials and supplies	5,011
Total operating expenses.	68,997
Operating income/change in net assets.	2,405
Net assets at beginning of year	10,955
Net assets at end of year.	\$ 13,360

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities
	Non-Major Enterprise Fund
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 71,402
Cash payments for personal services.	(60,323)
Cash payments for contractual services	(3,797)
Cash payments for materials and supplies	(5,011)
Cash payments for other expenses	(222)
	2,049
Net cash provided by operating activities	2,049
Cash and cash equivalents at beginning of year	19,178
Cash and cash equivalents at end of year	\$ 21,227
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,405
Changes in liabilities:	
Decrease in intergovernmental payable.	(92)
Increase in accrued wages and benefits	349
Decrease in pension obligation payable.	(613)
	2,049
Net cash provided by operating activities	\$ 2,049

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Private-Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 70,379	\$ 33,370
Total assets.	70,379	\$ 33,370
Liabilities:		
Accounts payable.	-	\$ 201
Loan payable	-	427
Due to students.	-	32,742
Total liabilities	-	\$ 33,370
Net assets:		
Held in trust for scholarships	70,379	
Total net assets	\$ 70,379	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private-Purpose Trust
Additions:	
Interest.	\$ 1,430
Total additions.	1,430
Deductions:	
Scholarships awarded	510
Change in net assets.	920
Net assets at beginning of year	69,459
Net assets at end of year.	\$ 70,379

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Fairbanks Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 488th largest by enrollment among the 905 public and community schools in the State of Ohio. The District employs 71 certified employees and 44 non-certified employees to provide services to approximately 976 students. The District cooperates with the Educational Service Center of Central Ohio, a separate entity, for curricular services.

The District provides regular and special instruction. The District also provides support services for pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental and proprietary activities and to its enterprise fund provided it does not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise fund, subject to this same limitation. The District has elected not to apply this guidance. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council (MEC)

The MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computers services to the District. Financial information can be obtained from the offices of the Director, Metropolitan Educational Council, 2100 City Gate Drive, Columbus, Ohio 43219.

Tolles Career & Technical Center (TCTC)

TCTC is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Tolles Career and Technical Center, Pam Orr, Treasurer, at 7877 U.S. Route 42 NE, Plain City, Ohio 43064.

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or its designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 12.B. for further information on this group rating plan.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by the proprietary or trust funds; (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service and uniform school supplies operations.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's only proprietary fund:

Nonmajor Enterprise Fund - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District has one nonmajor enterprise fund to account for the Fairbanks Elementary Extended Day Program (F.E.E.D. Program). This enterprise fund is considered a nonmajor enterprise fund.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into three classifications: investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The private-purpose trust fund accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. For the District, these revenues are sales for the F.E.E.D Program and expenses incurred in operating the F.E.E.D Program. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6) and revenue from income taxes is recognized in the year in which the income is earned (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010, are reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency). The specific timetable for fiscal year 2010 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for tax rate determination. The Union County Budget Commission waived this requirement for fiscal year 2010.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2010.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations included were legally enacted by the Board during fiscal year 2010.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the governmental fund financial statements, encumbrances outstanding at year-end (not already recorded in accounts payable) are reported as a reservation of fund balance. A reserve for encumbrances is not reported on government-wide financial statements.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2010, investments were limited to repurchase agreements, non-negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit and repurchase agreements, are reported at cost.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$40,365 which includes \$15,065 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of donated food and purchased food.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. During fiscal year 2010, the District increased its capitalization threshold from \$500 to \$1,000. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is not capitalized.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 50 years
Buildings/improvements	20 - 50 years
Furniture/equipment	5 - 20 years
Vehicles	8 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable” and “loans receivable/loans payable”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances and loans to agency funds.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, employees age 50 with at least 10 years of service or any age with 30 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. The District has also recorded a liability for all employees with at least 20 years of service.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and lease-purchase agreements are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, debt service, property taxes unavailable for appropriation and Bureau of Workers' Compensation (BWC) refunds. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist of amounts for a food service, special trust fund, uniform school supplies and monies restricted by State statute for BWC refunds.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Parochial Schools

Within the District boundaries, St. John Lutheran School and St. Paul Lutheran School operate as private schools. Current State legislation provides funding to the parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity is reflected in a nonmajor governmental fund of the District.

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include certain BWC refunds restricted in use by State statute. See Note 17 for details.

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

S. Bond Issuance Costs/Premiums

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.A.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Management information systems	\$ 45
IDEA Part-B	19,886
Title I	46,653
Ohio reads	1

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the IDEA Part-B fund resulted from adjustments for accrued liabilities and the recording of short-term interfund loans as fund liabilities rather than as other financing sources. The deficit fund balances in the remaining funds result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At June 30, 2010, the District had \$1,550 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits, including \$470,411 of non-negotiable certificates of deposit, was \$1,615,989 (exclusive of the repurchase agreement reported as an "investment" below). Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$1,344,143 of the District's bank balance of \$1,682,112 was exposed to custodial credit risk as discussed below, while \$337,969 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase agreement	\$ 1,387,710	\$ 1,387,710
STAR Ohio	<u>101,362</u>	<u>101,362</u>
Total	<u>\$ 1,489,072</u>	<u>\$ 1,489,072</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$1,387,710 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 1,387,710	93.19
STAR Ohio	<u>101,362</u>	<u>6.81</u>
Total	<u>\$ 1,489,072</u>	<u>100.00</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,615,989
Investments	1,489,072
Cash on hand	<u>1,550</u>
Total	<u>\$ 3,106,611</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,981,635
Business-type activities	21,227
Private-purpose trust fund	70,379
Agency fund	<u>33,370</u>
Total	<u>\$ 3,106,611</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2010 as reported on the fund financial statements consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 3,284</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at June 30, 2010:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General	Agency	<u>\$ 427</u>

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. Interfund transfers for the fiscal year 2010 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Bond retirement	\$ 37,711
Nonmajor governmental fund	<u>13,250</u>
Total	<u>\$ 50,961</u>
 <u>Transfers from nonmajor governmental fund to:</u>	
Bond retirement	<u>\$ 314,653</u>
Total	

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer to the bond retirement fund from the permanent improvement fund (a nonmajor governmental fund) in the amount of \$314,653 was made during fiscal year 2010 to make principal and interest payments on the lease purchase agreement out of the bond retirement fund.

All transfers made in fiscal year 2010 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility real and tangible personal property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Union and Madison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$715,792 in the general fund and \$105,227 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$604,690 in the general fund and \$102,851 in the bond retirement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 179,364,590	97.05	\$ 179,321,410	96.84
Public utility personal	<u>5,637,300</u>	<u>2.95</u>	<u>5,854,070</u>	<u>3.16</u>
Total	<u>\$ 185,001,890</u>	<u>100.00</u>	<u>\$ 185,175,480</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$40.90		\$41.60	
Bond	4.60		4.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:	
Taxes	\$ 5,901,195
Intergovernmental	49,047
Accrued interest	<u>1,730</u>
Total receivables	<u>\$ 5,951,972</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - RECEIVABLES - (Continued)

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 8 - INCOME TAXES

The District levies a voted income tax of 1.00%, .75% for operating and .25% for permanent improvements on the income of residents and on estates for general operations of the District. The .75% for operations was passed in November, 1989 and is a continuing levy. The .25% is a five-year for permanent improvements levy passed in May, 2006. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund in the amount of \$1,196,322 and permanent improvement fund (a nonmajor governmental fund) in the amount of \$398,774 for fiscal year 2010.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

Governmental activities:	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 80,849	\$ -	\$ -	\$ 80,849
Construction in progress	-	231,497	-	231,497
Total capital assets, not being depreciated	<u>80,849</u>	<u>231,497</u>	<u>-</u>	<u>312,346</u>
Capital assets, being depreciated:				
Land improvements	1,043,082	6,350	(2,694)	1,046,738
Building/improvements	17,187,874	804,750	(206,484)	17,786,140
Furniture/equipment	2,422,573	328,366	(502,708)	2,248,231
Vehicles	<u>1,131,408</u>	<u>146,185</u>	<u>-</u>	<u>1,277,593</u>
Total capital assets, being depreciated	<u>21,784,937</u>	<u>1,285,651</u>	<u>(711,886)</u>	<u>22,358,702</u>
Less: accumulated depreciation				
Land improvements	(980,604)	(4,358)	269	(984,693)
Building/improvements	(3,020,222)	(280,853)	127,568	(3,173,507)
Furniture/equipment	(1,212,610)	(151,849)	333,657	(1,030,802)
Vehicles	<u>(784,836)</u>	<u>(69,848)</u>	<u>-</u>	<u>(854,684)</u>
Total accumulated depreciation	<u>(5,998,272)</u>	<u>(506,908)</u>	<u>461,494</u>	<u>(6,043,686)</u>
Governmental activities capital assets, net	<u>\$ 15,867,514</u>	<u>\$ 1,010,240</u>	<u>\$ (250,392)</u>	<u>\$ 16,627,362</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 223,610
Special	16,611
Vocational	189
Support Services:	
Pupil	26,921
Instructional staff	36,857
Board of education	363
Administration	33,107
Fiscal	732
Operations and maintenance	62,809
Pupil transportation	72,921
Food service operations	28,032
Extracurricular	<u>4,756</u>
Total depreciation expense	<u>\$ 506,908</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

A. Capital Lease Obligation

During a prior fiscal year, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as a debt service expenditures in the financial statements for the general fund. These expenditures are reported as program/function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$113,111. Accumulated depreciation as of June 30, 2010 was \$45,244, leaving a current book value of \$67,867. A liability in the amount of the present value of minimum lease payments has been recorded in the statement of net assets. During fiscal year 2010, principal and interest payments of \$24,070 and \$3,690, respectively, were paid from the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 27,760
2012	<u>6,941</u>
Total minimum lease payments	34,701
Less: amount representing interest	<u>(1,783)</u>
Total	<u>\$ 32,918</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

B. Lease Purchase Agreement

During fiscal year 2007, the District entered into a lease-purchase agreement with All Points Public Funding for the purchase of an air conditioning system. The source of revenue to fund the principal and interest payments for the project will be generated from the .25% permanent improvement income tax (see Note 8).

Capital assets consisting of buildings/improvements have been capitalized in the amount of \$1,224,071 at June 30, 2010. Accumulated depreciation as of June 30, 2010 was \$176,641, leaving a current book value of \$1,047,430. A liability in the amount of the present value of the future minimum lease payments has been recorded in the statement of net assets. During fiscal year 2010, principal and interest payments of \$280,000 and \$34,652, respectively, were paid from the bond retirement fund.

The following is a summary of the District's future minimum annual payments required under the lease-purchase agreement and the present value of the future minimum annual lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 323,032
2012	<u>265,582</u>
Total minimum lease payments	588,614
Less: amount representing interest	<u>(33,614)</u>
Total	<u>\$ 555,000</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS

- A. The District's governmental activities long-term obligations activity during fiscal year 2010 consisted of the following:

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010	Amounts Due Within One Year
General obligation bonds:					
<u>Series 2006, facilities improvement</u>					
Current interest serial bonds	\$ 10,905,000	\$ -	\$ (280,000)	\$ 10,625,000	\$ 300,000
Capital appreciation bonds	210,062	-	-	210,062	-
Accreted interest	128,557	63,109	-	191,666	-
Total G.O. Bonds	<u>11,243,619</u>	<u>63,109</u>	<u>(280,000)</u>	<u>11,026,728</u>	<u>300,000</u>
Other long-term obligations:					
Energy conservation notes	174,000	-	(30,000)	144,000	33,000
Capital lease payable	56,988	-	(24,070)	32,918	26,069
Lease purchase payable	835,000	-	(280,000)	555,000	300,000
Total other long-term obligations	<u>1,065,988</u>	<u>-</u>	<u>(334,070)</u>	<u>731,918</u>	<u>359,069</u>
Compensated absences:					
Vacation leave	29,830	31,490	(24,131)	37,189	37,189
Severance	302,649	46,279	(15,401)	333,527	43,602
Total compensated absences	<u>332,479</u>	<u>77,769</u>	<u>(39,532)</u>	<u>370,716</u>	<u>80,791</u>
Total	12,642,086	<u>\$ 140,878</u>	<u>\$ (653,602)</u>	12,129,362	<u>\$ 739,860</u>
Add: unamortized premium on bonds	<u>339,473</u>			<u>325,570</u>	
Total on statement of net assets	<u>\$ 12,981,559</u>			<u>\$ 12,454,932</u>	

Compensated absences

Compensated absences will be paid from the fund from which the employee is paid, which for the District, is primarily the general fund.

Lease purchase and capital lease payable

See Note 10 for details on these obligations. Principal and interest payments on the capital lease obligation are made from the general fund and principal and interest payments on the lease purchase obligation are made from the bond retirement fund.

General obligation bonds

On August 16, 2006, the District issued general obligation bonds (Series 2006, School Facilities Improvement Bonds). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net assets.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

This issue was comprised of current interest bonds, present value \$10,905,000 at June 30, 2010, and capital appreciation bonds, par value \$210,062. The capital appreciation bonds mature each December 1, 2013 through 2015, (stated interest 20.109%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,020,000. Total accreted interest of \$191,666 has been included on the statement of net assets at June 30, 2010.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2034.

Principal and interest requirements to retire the general obligation bonds are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 300,000	\$ 457,834	\$ 757,834	\$ -	\$ -	\$ -
2012	315,000	445,534	760,534	-	-	-
2013	325,000	432,734	757,734	-	-	-
2014	-	426,234	426,234	83,813	256,187	340,000
2015	-	426,234	426,234	69,166	270,834	340,000
2016 - 2020	1,450,000	2,016,064	3,466,064	57,083	282,917	340,000
2021 - 2025	2,180,000	1,606,195	3,786,195	-	-	-
2026 - 2030	2,700,000	1,088,952	3,788,952	-	-	-
2031 - 2035	3,355,000	390,487	3,745,487	-	-	-
Total	<u>\$10,625,000</u>	<u>\$ 7,290,268</u>	<u>\$17,915,268</u>	<u>\$ 210,062</u>	<u>\$ 809,938</u>	<u>\$ 1,020,000</u>

The District has issued energy conservation notes to provide financing for energy improvements to various District buildings. Payments of principal and interest on the energy conservation notes are reported as expenditures in the bond retirement fund.

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Fiscal Year Ending June 30,	Principal on notes	Interest on notes	Total
2011	\$ 33,000	\$ 6,184	\$ 39,184
2012	35,000	4,535	39,535
2013	37,000	2,789	39,789
2014	<u>39,000</u>	<u>946</u>	<u>39,946</u>
Total	<u>\$ 144,000</u>	<u>\$ 14,454</u>	<u>\$ 158,454</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$6,354,891 (including available funds of \$527,655) and an unvoted debt margin of \$185,137.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through the Ohio School Plan.

General liability insurance is maintained in the amount of \$3,000,000 for each occurrence and \$5,000,000 in the aggregate. Employee benefits liability is maintained in the amount of \$3,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, \$2,000,000 in excess coverage to the above amounts is further maintained.

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$33,331,012. Property insurance also includes \$1,000,000 additional expense coverage.

Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. Worker's Compensation

For fiscal year 2010, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 12 - RISK MANAGEMENT - (Continued)

The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Insurance

The District has established limited risk health, dental and life insurance programs for its employees. The District is a member of the Champaign, Delaware, Marion and Union County Insurance Consortium. Upon payment of the premium, the risk of loss transfers to the Consortium.

CORE Source, a third party administrator, services all claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$150,000 and aggregate claims in excess of \$4,292,738.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$170,539, \$123,394 and \$123,701, respectively; 43.77 percent has been contributed for fiscal years 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 13 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$599,192, \$582,440 and \$582,415, respectively; 83.14 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$38,440 made by the District and \$27,457 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009 and 2008 were \$26,462, \$83,311 and \$81,059, respectively; 43.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$10,142, \$10,181 and \$8,913, respectively; 43.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$46,092, \$44,803 and \$44,801, respectively; 83.14 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance budget (non-GAAP) and actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ (20,132)
Net adjustment for revenue accruals	117,472
Net adjustment for expenditure accruals	(76,308)
Net adjustment for other sources/uses	(3,639)
Adjustment for encumbrances	<u>83,051</u>
GAAP basis	<u>\$ 100,444</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not involved in material litigation as either plaintiff or defendant.

NOTE 17 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for BWC refunds. At June 30, 2010, only the unspent portions of certain workers' compensation refunds continue to be a set-aside for BWC refunds.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 17 - STATUTORY RESERVES - (Continued)

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2009	\$ (329,547)	\$ (11,312,941)	\$ 87,102
Current year set-aside requirement	157,539	157,539	-
Current year offsets	-	(401,150)	-
Qualifying disbursements	<u>(270,439)</u>	<u>(452,620)</u>	<u>-</u>
Total	<u>\$ (442,447)</u>	<u>\$ (12,009,172)</u>	<u>\$ 87,102</u>
Carry forward balance to fiscal year 2011	<u>\$ (442,447)</u>	<u>\$ (11,312,941)</u>	<u>\$ 87,102</u>

The District had qualifying disbursements and offsets during the fiscal year and prior years that reduced the textbooks/instructional materials and capital acquisition reserves below zero. The textbooks/instructional materials excess may be carried forward to future years. The District issued bonds in connection with construction of a new building. These bonds may be used as an offset against current and future capital acquisition set-aside requirements. The negative excess is therefore presented as being carried forward to the next fiscal year. In addition the District has not yet elected to spend prior year BWC refunds.

A schedule of the general fund restricted assets at June 30, 2010 follows:

Amount restricted for BWC refunds	<u>\$ 87,102</u>
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SUPPLEMENTARY DATA

FAIRBANKS LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Nutrition Grant Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2010	\$ 20,664	\$ 20,664
(D)(E) National School Lunch Program - Food Donation	10.555	2010	9,953	9,953
(C)(D) National School Lunch Program	10.555	2010	92,989	92,989
Total National School Lunch Program			<u>102,942</u>	<u>102,942</u>
Total U.S. Department of Agriculture and Nutrition Grant Cluster			<u>123,606</u>	<u>123,606</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Grant Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2009	12,269	16,092
(F) Title I Grants to Local Educational Agencies	84.010	2010	63,937	63,937
Total Title I Grants to Local Educational Agencies			<u>76,206</u>	<u>80,029</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	12,401	12,401
Total Title I Grant Cluster			<u>88,607</u>	<u>92,430</u>
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2008	-	100
(G) Special Education_Grants to States	84.027	2009	6,665	13,462
(G) Special Education_Grants to States	84.027	2010	149,637	149,637
Total Special Education _Grants to States			<u>156,302</u>	<u>163,199</u>
(G) Special Education_Preschool Grants	84.173	2010	3,070	3,070
(G) ARRA - Special Education_Grants to States, Recovery Act	84.391	2010	148,304	151,588
Total Special Education Grant Cluster			<u>307,676</u>	<u>317,857</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	2,083	2,083
State Grants for Innovative Programs	84.298	2010	-	88
Education Technology State Grants	84.318	2009	-	61
Education Technology State Grants	84.318	2010	1,151	1,151
Total Education Technology State Grants			<u>1,151</u>	<u>1,212</u>
Improving Teacher Quality State Grants	84.367	2009	-	1,579
Improving Teacher Quality State Grants	84.367	2010	37,236	35,499
Total Improving Teacher Quality State Grants			<u>37,236</u>	<u>37,078</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	128,134	128,134
Total U.S. Department of Education			<u>564,887</u>	<u>578,882</u>
Total Federal Financial Assistance			<u>\$ 688,493</u>	<u>\$ 702,488</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2010.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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*

Fairbanks Local School District
11158 State Route 38
Milford Center, OH 43045-9764

To the Board of Education:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, Union County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise Fairbanks Local School District's basic financial statements and have issued our report thereon dated December 22, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fairbanks Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Fairbanks Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Fairbanks Local School District'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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Fairbanks Local School District's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

Board of Education
Fairbanks Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Fairbanks Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material affect 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 we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Fairbanks Local School District, federal awarding agencies and pass-through entities, and others within the Fairbanks Local School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
December 22, 2010



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance In
Accordance With OMB Circular A-133**

Fairbanks Local School District
11158 State Route 38
Milford Center, Ohio 43045-9764

To the Board of Education:

Compliance

We have audited the compliance of the Fairbanks Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Fairbanks Local School District's major federal programs. The Fairbanks Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Fairbanks Local School District'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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Fairbanks Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Fairbanks Local School District's compliance with those requirements.

In our opinion, the Fairbanks Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The Fairbanks Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Fairbanks Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Fairbanks Local School District's internal control over compliance.

Board of Education
Fairbanks Local School District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be 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.

We intend this report solely for the information and use of the management and Board of Education of the Fairbanks Local School District, federal awarding agencies and pass-through entities, and others within the Fairbanks Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
December 22, 2010

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education Grants to States - CFDA #84.027; Special Education Preschool Grants - CFDA #84.173; ARRA - Special Education Grants to States Recovery Act - CFDA # 84.391; ARRA - State Fiscal Stabilization Fund, Education State Grants, Recovery Act - CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No
2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS		

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

FAIRBANKS LOCAL SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 1, 2011