



Dave Yost • Auditor of State



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – June 30, 2011 .....	13
Statement of Activities – For the Fiscal Year Ended June 30, 2011 .....	14
Balance Sheet - Governmental Funds – June 30, 2011 .....	15
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities – June 30, 2011 .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds – For the Fiscal Year Ended June 30, 2011 .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities for the Fiscal Year Ended June 30, 2011.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) For the Fiscal Year Ended June 30, 2011 .....	19
Statement of Fiduciary Assets and Liabilities Fiduciary Fund – June 30, 2011 .....	20
Notes to the Financial Statements .....	21
Federal Awards Receipts and Expenditures Schedule For the Fiscal Year Ended June 30, 2011 .....	51
Notes to the Federal Awards Receipts and Expenditures Schedule For the Fiscal Year Ended June 30, 2011 .....	52
Independent Accountants' Report on Internal Control Over Financial Reporting and Compliance and other Matter Required by <i>Government Auditing Standards</i> .....	53
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	59
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	61

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Fairborn City School District  
Greene County  
306 East Whittier Avenue  
Fairborn, Ohio 45324

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairborn City School District, Greene County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, each major fund, and the aggregate remaining fund information of Fairborn City School District, Greene County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21, during 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 30, 2012

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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The discussion and analysis of Fairborn City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities increased \$374,617 from 2010.
- General revenues accounted for \$40,994,188 in revenue or 80.3% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,059,724 or 19.7% of total revenues of \$51,053,912 .
- The District had \$50,679,295 in expenses related to governmental activities; \$10,059,724 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$40,994,188 were also used to provide for these programs.

**Overview of the 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 nonmajor funds presented in total in one column. The General Fund is the only major fund of the District.

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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**Government-wide Financial Statements**

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 2011?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes 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 has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. 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 Government-wide Financial Statements, overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). 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.

**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.

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.



**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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**The District as a Whole**

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

**Table 1  
Net Assets**

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$28,705,003	\$27,320,443
Capital Assets	13,036,392	14,231,401
Total Assets	41,741,395	41,551,844
Liabilities:		
Other Liabilities	21,021,594	20,928,936
Long-Term Liabilities	20,405,729	20,683,453
Total Liabilities	41,427,323	41,612,389
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(3,350,609)	(2,942,849)
Restricted	3,523,017	2,400,300
Unrestricted	141,664	482,004
Total Net Assets	\$314,072	(\$60,545)



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$314,072 .

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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At year-end, capital assets represented 31% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, was \$(3,350,609). These capital assets are used to provide services to the 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, \$3,523,017 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets increased due to an increase in property taxes receivable, which was mainly due to an increase in property tax receipts in fiscal year 2011 as compared to fiscal year 2010. Long term liabilities decreased mainly due to principal and interest payments being made on long term debt during the fiscal year.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

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**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**Table 2  
Changes in Net Assets**

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services	\$1,609,218	\$1,399,203
Operating Grants, Contributions	8,450,506	6,010,524
General Revenues:		
Income Taxes	2,865,953	3,074,800
Property Taxes	18,156,285	18,042,975
Grants and Entitlements	19,446,496	21,492,871
Other	525,454	739,689
Total Revenues	<u>51,053,912</u>	<u>50,760,062</u>
Program Expenses:		
Instruction	30,599,043	30,908,298
Support Services:		
Pupil and Instructional Staff	5,646,576	5,590,174
School Administrative, General		
Administration, Fiscal and Business	4,365,416	4,526,981
Operations and Maintenance	3,731,456	3,946,521
Pupil Transportation	2,343,773	2,429,108
Central	443,172	488,535
Operation of Non-Instructional Services	1,669,831	1,686,259
Extracurricular Activities	719,144	734,210
Interest and Fiscal Charges	1,160,884	789,673
Total Program Expenses	<u>50,679,295</u>	<u>51,099,759</u>
Change in Net Assets	374,617	(339,697)
Net Assets Beginning of Year	<u>(\$60,545)</u>	<u>\$279,152</u>
Net Assets End of Year	<u><u>\$314,072</u></u>	<u><u>(\$60,545)</u></u>

The District revenues came from mainly two sources. Property taxes levied for general and debt service purposes, as well as grants and entitlements comprised 74% of the District's revenues for governmental activities.

**Fairborn City School District  
 Management’s Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2011  
 (Unaudited)**

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The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

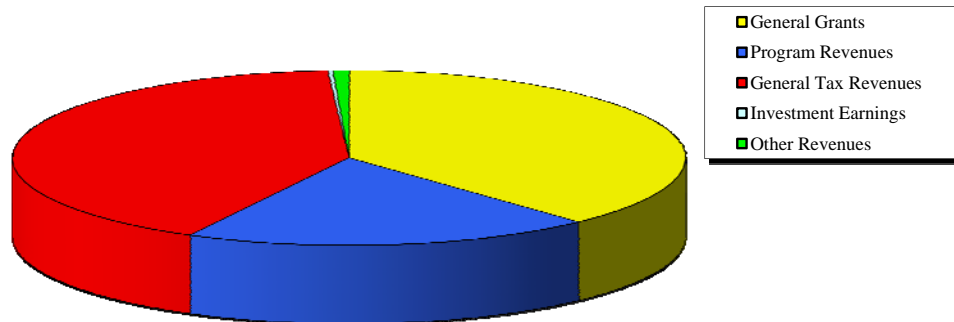
Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Taxes made up 41% of governmental activities revenues for the District in fiscal year 2011. The District’s reliance upon tax revenues is demonstrated in the following graph:

**Governmental Activities  
 Revenue Sources**

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<u>Revenue Sources</u>	<u>2011</u>	<u>Percentage</u>
General Grants	\$19,446,496	38.09%
Program Revenues	10,059,724	19.70%
General Tax Revenues	21,022,238	41.18%
Investment Earnings	122,390	0.24%
Other Revenues	403,064	0.79%
Total	<u>\$51,053,912</u>	<u>100.00%</u>



Instruction comprises 60.38% of governmental program expenses. Support services expenses were 32.62% of governmental program expenses. All other expenses including interest expense were 7.00% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants and Contributions increased mainly due to an increase in grant monies received in fiscal year 2011 as compared to fiscal year 2010. Instruction and related support services decreased due to the District’s efforts to cut costs throughout the District.

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3  
Governmental Activities**

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	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$30,599,043	\$30,908,298	(\$25,259,357)	(\$26,940,706)
Support Services:				
Pupil and Instructional Staff	5,646,576	5,590,174	(3,633,427)	(4,411,237)
School Administrative, General				
Administration, Fiscal and Business	4,365,416	4,526,981	(4,219,957)	(4,343,200)
Operations and Maintenance	3,731,456	3,946,521	(3,482,825)	(3,946,521)
Pupil Transportation	2,343,773	2,429,108	(2,179,372)	(2,429,108)
Central	443,172	488,535	(429,072)	(471,220)
Operation of Non-Instructional Services	1,669,831	1,686,259	182,630	194,057
Extracurricular Activities	719,144	734,210	(437,307)	(552,424)
Interest and Fiscal Charges	1,160,884	789,673	(1,160,884)	(789,673)
Total Expenses	<u>\$50,679,295</u>	<u>\$51,099,759</u>	<u>(\$40,619,571)</u>	<u>(\$43,690,032)</u>

**The District's Funds**

The District has one major governmental fund: the General Fund. Assets of the General fund comprised \$22,733,304 (80%) of the total \$28,537,589 governmental funds assets.

**General Fund:** Fund balance at June 30, 2011 was \$2,601,242. The fund balance remained relatively consistent in fiscal year 2011 as compared to fiscal year 2010.

**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.

**Fairborn City School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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During the course of fiscal year 2011, the District amended its general fund budget, however none were 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. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis estimated revenue was \$41,194,501 compared to original budget estimates of \$41,044,201. Of the \$150,300 difference, most was due to a slight conservative estimate for taxes and intergovernmental revenue.

The District’s ending unobligated actual fund balance for the General Fund was \$4,412,043.

**Capital Assets and Debt Administration**

*Capital Assets*

At fiscal year end, the District had \$13,036,392 invested in land, land improvements, buildings and improvements, and furniture and equipment and vehicles. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

**Table 4  
Capital Assets at Year End  
(Net of Depreciation)**

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	Governmental Activities	
	2011	2010
Land	\$299,675	\$299,675
Land Improvements	3,376,578	3,707,116
Buildings and Improvements	8,370,794	9,103,453
Furniture and Equipment	42,306	65,867
Vehicles	947,039	1,055,290
<b>Total Net Capital Assets</b>	<b>\$13,036,392</b>	<b>\$14,231,401</b>

Net Capital Assets decreased mainly due to current year depreciation expense exceeded current year capital asset additions.

See Note 8 to the basic financial statements for further details on the District’s capital assets.

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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**Debt**

At fiscal year end, the District had \$16,878,741 in bonds payable, \$935,000 due within one year. Table 5 summarizes bonds outstanding at year end.

**Table 5  
Outstanding Debt at Year End**

	Governmental Activities	
	2011	2010
Governmental Activities:		
General Improvement Bonds	\$0	\$595,000
General Improvement Refunded Bonds:		
Current Interest Bonds	14,570,000	14,710,000
Capital Appreciation Bonds	99,987	99,987
Accreted Interest	491,740	0
Premium on Bonds	1,202,014	1,277,140
Energy Conservation Improvement Bond	515,000	670,000
<b>Total General Obligation Bonds</b>	<b>\$16,878,741</b>	<b>\$17,352,127</b>

See Note 12 to the basic financial statements for further details on the District's long-term obligations.

**For the Future**

In July, 2010, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the OEBM model is being phased in with FY 10 and FY 11 funding being allocated based on 99% of FY 10 funding and 98% of FY 11 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY 11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

On June 30, 2011, Ohio's Governor signed HB 153, the state biennium budget bill. The impact of this bill was a slight increase in state funding for the District for both fiscal years 2011-12 and 2012-13. The Governor has indicated that he will prepare a new school funding model for Ohio school districts for fiscal year 2012-13. At this time, we do not know the details of the changes or the impact that these changes may have on our future state funding. This uncertainty could have an impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be closely monitored.

With no increase in state funding projected, the District must increase revenues with an operating levy to

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

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the community in the near future. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure 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 the Treasurer at Fairborn City School District, 306 E. Whittier Ave., Fairborn, Ohio 45324.



Fairborn City School District  
Statement of Net Assets  
June 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$6,476,092
Restricted Cash and Investments	1,109,875
Receivables:	
Taxes	18,780,100
Accounts	26,451
Interest	36,270
Intergovernmental	2,091,064
Deferred Bond Issuance Costs	167,414
Inventory	17,737
Nondepreciable Capital Assets	299,675
Depreciable Capital Assets, Net	<u>12,736,717</u>
 Total Assets	 <u>41,741,395</u>
 Liabilities:	
Accounts Payable	94,808
Accrued Wages and Benefits	5,562,299
Accrued Interest Payable	57,323
Unearned Revenue	15,307,164
Long-Term Liabilities:	
Due Within One Year	1,551,398
Due In More Than One Year	<u>18,854,331</u>
 Total Liabilities	 <u>41,427,323</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	(3,350,609)
Restricted for:	
Federal Grants	814,577
Other Purposes	87,522
Debt Service	1,087,276
Capital Projects	11,256
Food Service	1,316,447
Permanent Nonexpendable	140,000
Permanent Expendable	65,939
Unrestricted	<u>141,664</u>
 Total Net Assets	 <u><u>\$314,072</u></u>

See accompanying notes to the basic financial statements.

Fairborn City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$19,508,508	\$370,852	\$285,365	(\$18,852,291)
Special	7,764,899	330,265	3,670,359	(3,764,275)
Vocational	0	0	3,920	3,920
Other	3,325,636	0	678,925	(2,646,711)
<b>Support Services:</b>				
Pupil	3,113,242	0	67,436	(3,045,806)
Instructional Staff	2,533,334	0	1,945,713	(587,621)
General Administration	68,524	0	0	(68,524)
School Administration	3,187,826	0	145,459	(3,042,367)
Fiscal	857,912	0	0	(857,912)
Business	251,154	0	0	(251,154)
Operations and Maintenance	3,731,456	40,426	208,205	(3,482,825)
Pupil Transportation	2,343,773	7,044	157,357	(2,179,372)
Central	443,172	0	14,100	(429,072)
Operation of Non-Instructional Services	1,669,831	578,794	1,273,667	182,630
Extracurricular Activities	719,144	281,837	0	(437,307)
Interest and Fiscal Charges	1,160,884	0	0	(1,160,884)
<b>Total Governmental Activities</b>	<b>\$50,679,295</b>	<b>\$1,609,218</b>	<b>\$8,450,506</b>	<b>(40,619,571)</b>
<b>General Revenues:</b>				
Income Taxes				2,865,953
<b>Property Taxes Levied for:</b>				
General Purposes				16,698,189
Debt Service Purposes				1,458,096
Grants and Entitlements not Restricted to Specific Programs				19,446,496
Revenue in Lieu of Taxes				194,446
Unrestricted Contributions				12,742
Investment Earnings				122,390
Other Revenues				195,876
<b>Total General Revenues</b>				<b>40,994,188</b>
<b>Change in Net Assets</b>				<b>374,617</b>
<b>Net Assets Beginning of Year</b>				<b>(60,545)</b>
<b>Net Assets End of Year</b>				<b>\$314,072</b>

See accompanying notes to the basic financial statements.

Fairborn City School District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$3,848,109	\$2,627,983	\$6,476,092
Restricted Cash and Investments	1,109,875	0	1,109,875
<b>Receivables:</b>			
Taxes	17,514,536	1,265,564	18,780,100
Accounts	26,451	0	26,451
Interest	36,270	0	36,270
Intergovernmental	198,063	1,893,001	2,091,064
Inventory	0	17,737	17,737
<b>Total Assets</b>	<b>22,733,304</b>	<b>5,804,285</b>	<b>28,537,589</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	44,637	50,171	94,808
Accrued Wages and Benefits	4,799,779	762,520	5,562,299
Compensated Absences	273,887	34,008	307,895
Deferred Revenue	15,013,759	2,224,071	17,237,830
<b>Total Liabilities</b>	<b>20,132,062</b>	<b>3,070,770</b>	<b>23,202,832</b>
<b>Fund Balances:</b>			
Nonspendable	0	157,737	157,737
Restricted	1,109,875	2,772,577	3,882,452
Assigned	208,250	0	208,250
Unassigned	1,283,117	(196,799)	1,086,318
<b>Total Fund Balances</b>	<b>2,601,242</b>	<b>2,733,515</b>	<b>5,334,757</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$22,733,304</b>	<b>\$5,804,285</b>	<b>\$28,537,589</b>

See accompanying notes to the basic financial statements.

Fairborn City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2011

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Total Governmental Fund Balance		\$5,334,757
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,036,392
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	833,670	
Interest	36,270	
Intergovernmental	<u>1,060,726</u>	
		1,930,666
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(57,323)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(3,219,093)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		167,414
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(16,878,741)</u>
Net Assets of Governmental Activities		<u><u>\$314,072</u></u>

See accompanying notes to the basic financial statements.

Fairborn City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$19,476,805	\$1,445,931	\$20,922,736
Revenue in lieu of taxes	180,808	13,638	194,446
Tuition and Fees	541,026	0	541,026
Investment Earnings	85,131	989	86,120
Intergovernmental	20,770,793	6,424,113	27,194,906
Extracurricular Activities	140,704	131,194	271,898
Charges for Services	214,066	578,794	792,860
Other Revenues	250,007	47,914	297,921
<b>Total Revenues</b>	<b>41,659,340</b>	<b>8,642,573</b>	<b>50,301,913</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	18,110,499	289,879	18,400,378
Special	5,332,653	2,542,710	7,875,363
Other	2,449,701	834,778	3,284,479
<b>Support Services:</b>			
Pupil	3,139,263	30,130	3,169,393
Instructional Staff	1,404,676	999,110	2,403,786
General Administration	68,524	0	68,524
School Administration	3,048,461	135,396	3,183,857
Fiscal	841,598	22,653	864,251
Business	232,685	0	232,685
Operations and Maintenance	3,465,855	260,052	3,725,907
Pupil Transportation	2,243,327	6,684	2,250,011
Central	369,331	78,675	448,006
Operation of Non-Instructional Services	0	1,610,688	1,610,688
Extracurricular Activities	615,399	144,452	759,851
Capital Outlay	0	147,993	147,993
<b>Debt Service:</b>			
Principal Retirement	0	890,000	890,000
Interest and Fiscal Charges	0	750,305	750,305
<b>Total Expenditures</b>	<b>41,321,972</b>	<b>8,743,505</b>	<b>50,065,477</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>337,368</b>	<b>(100,932)</b>	<b>236,436</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	243,875	243,875
Transfers (Out)	(243,875)	0	(243,875)
<b>Total Other Financing Sources (Uses)</b>	<b>(243,875)</b>	<b>243,875</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>93,493</b>	<b>142,943</b>	<b>236,436</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>2,507,749</b>	<b>2,590,572</b>	<b>5,098,321</b>
<b>Fund Balance End of Year</b>	<b>\$2,601,242</b>	<b>\$2,733,515</b>	<b>\$5,334,757</b>

See accompanying notes to the basic financial statements.

Fairborn City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2011

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Net Change in Fund Balance - Total Governmental Funds \$236,436

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

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	81,385	
Depreciation Expense	(1,276,394)	
		(1,195,009)

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

Income Taxes	(225,637)	
Delinquent Property Taxes	239,272	
Interest	36,270	
Intergovernmental	702,094	
		751,999

Repayment of bond and capital lease principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets. 890,000

Interest expense in the statement of activities differs from the amount  
 reported in governmental funds for two reasons. Additional accrued  
 interest was calculated for bonds and notes payable, and the difference  
 arising from the advance refunding due to premium and bond issuance  
 costs.

Accrued Interest		6,035
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Some expenses reported in the statement of activities do not require the  
 use of current financial resources and therefore are not reported as  
 expenditures in governmental funds.

Compensated Absences	112,233	
Amortization of Bond Issuance Cost	(10,463)	
Amortization of Bond Premium	75,126	
Bond Accretion	(491,740)	
		(314,844)

Change in Net Assets of Governmental Activities		\$374,617
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See accompanying notes to the basic financial statements.

Fairborn City School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$19,418,417	\$19,489,526	\$19,583,575	\$94,049
Tuition and Fees	400,866	402,333	404,275	1,942
Investment Earnings	83,877	84,184	84,590	406
Intergovernmental	20,601,139	20,676,580	20,776,357	99,777
Extracurricular Activities	98,233	98,592	99,068	476
Charges for Services	212,261	213,038	214,066	1,028
Other Revenues	229,408	230,248	231,359	1,111
<b>Total Revenues</b>	<b>41,044,201</b>	<b>41,194,501</b>	<b>41,393,290</b>	<b>198,789</b>
Expenditures:				
Current:				
Instruction:				
Regular	18,507,648	17,854,942	17,817,218	37,724
Special	5,465,867	5,273,103	5,261,962	11,141
Other	2,566,233	2,475,730	2,470,499	5,231
Support Services:				
Pupil	3,170,756	3,058,934	3,052,471	6,463
Instructional Staff	1,495,818	1,443,065	1,440,016	3,049
General Administration	71,239	68,726	68,581	145
School Administration	3,283,388	3,167,593	3,160,901	6,692
Fiscal	871,426	840,693	838,917	1,776
Business	251,715	242,838	242,325	513
Operations and Maintenance	3,921,968	3,783,653	3,775,659	7,994
Pupil Transportation	2,419,743	2,334,406	2,329,474	4,932
Central	454,390	438,365	437,439	926
Extracurricular Activities	652,499	629,487	628,157	1,330
<b>Total Expenditures</b>	<b>43,132,690</b>	<b>41,611,535</b>	<b>41,523,619</b>	<b>87,916</b>
Excess of Revenues Over (Under) Expenditures	(2,088,489)	(417,034)	(130,329)	286,705
Other Financing Sources (Uses):				
Advances In	35,214	35,343	35,514	171
Transfers In	214,761	215,548	216,588	1,040
Transfers (Out)	(477,406)	(460,569)	(459,596)	973
<b>Total Other Financing Sources (Uses)</b>	<b>(227,431)</b>	<b>(209,678)</b>	<b>(207,494)</b>	<b>2,184</b>
<b>Net Change in Fund Balance</b>	<b>(2,315,920)</b>	<b>(626,712)</b>	<b>(337,823)</b>	<b>288,889</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,749,866	4,749,866	4,749,866	0
<b>Fund Balance End of Year</b>	<b>\$2,433,946</b>	<b>\$4,123,154</b>	<b>\$4,412,043</b>	<b>\$288,889</b>

See accompanying notes to the basic financial statements.

Fairborn City School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
June 30, 2011

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$177,023</u>
Total Assets	<u><u>177,023</u></u>
Liabilities:	
Accounts Payable	2,439
Other Liabilities	<u>174,584</u>
Total Liabilities	<u><u>\$177,023</u></u>

See accompanying notes to the basic financial statements.



**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 1 - Description of the School District**

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Fairborn City School District (the “School District”) has grown from a union of the Fairborn, Osborn and Bath Township schools, which took place when the town of Osborn was moved. The earliest school records available are of Bath Township schools’ purchase of land on September 1, 1856. The oldest historical record of the Osborn schools is a meeting of the Board of Education of July 27, 1906. The early history of the Fairborn school system consists of a log schoolhouse, one room up and two rooms down, in 1873. When consolidation of the three school systems was suggested there was much of the usual opposition. However, consolidation passed by a small majority and the school year 1923 started under the new plan.

Today the School District operates under the current standards prescribed by the Ohio Department of Education as provided in division (D) of sections 3301.07 and 119.01 of the Ohio Revised Code. The School District is established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charge and further mandated by state and/or federal agencies.

**Reporting Entity**

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

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

The School District is associated with five jointly governed organizations and one public entity risk pool. These organizations include the Southwestern Ohio Educational Purchasing Council, Miami Valley Special Education Regional Resource Center, Southwestern Ohio Instructional Technology Association, Greene County Career Center, Metropolitan Dayton Educational Cooperative Association, and the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 of the financial statements.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 2 - Summary of Significant Accounting Policies**

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The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, expenditures related to compensated absences and debt service are recorded only when payment is due.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Property taxes, grants and entitlements, tuition, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the School District.

**Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District employs the use of two categories of funds: governmental and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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 School District reports the following major governmental fund:

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

Additionally, the School District reports the following fund type:

*Fiduciary Agency Fund* reporting focuses on net assets and changes in net assets. The School District maintains one fiduciary fund: Student Activities Agency. The Student Activities fund was established to account for revenues generated by student managed activities. The School District's agency fund is custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency fund, are legally required to be budgeted and appropriated. The legal level of budgetary control for all funds is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Greene County Budget Commission for rate determination.

**Estimated Resources**

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which indicates the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1 unencumbered fund balances. However, those fund balances are available for appropriations.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**Lapsing of Appropriations**

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

**Equity in Pooled Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the statement of net assets and fund balance sheet.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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During fiscal year 2011, investments were limited to funds invested in United States treasury obligations and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value that is based on quoted market prices. Investment contracts and money market investments that have a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2011 amounted to \$85,131 credited to the general fund and \$989 credited to other governmental funds.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance assignment in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**Capital Assets**

Capital assets, which include land, land improvements, building and improvements, furniture and equipment, and vehicles are reported on the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.) which could be required to be capitalized. The School District has no infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Capital assets of the School District are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Land Improvements	15-20
Building and Improvements	20-40
Furniture and Equipment	5-15
Vehicles	8

**Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after ten years of service or at age fifty-five or upon retirement from STRS or SERS.

Expenditures or liabilities related to compensated absences are reported in governmental funds only if they are due for payment as matured leave payable. The entire liability is reported on the government-wide statement of net assets.

**Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities are reported on the governmental fund financial statements when the liability is incurred. However, compensated absences and debt service expenditures are recorded as expenditures only when payment is due.

**Interfund Activity**

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Non-spendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the School District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The School District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The School District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

**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 the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$3,523,017 in restricted net assets, none were restricted by enabling legislation.

**Deferred Revenues**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Unearned Revenue**

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

**Exchange/Non-Exchange 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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.



**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**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, laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for textbooks.

**Estimates**

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

**Note 3 – Accountability**

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At June 30, 2011, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Non-Major Governmental Funds	
Management Information System	\$2,933
Fiscal Stabilization	193,866

The deficits in these funds were created by the application of generally accepted accounting principles.

**Note 4 - Budget to GAAP Reconciliation**

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**Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the General Fund GAAP and budgetary basis statements.

Excess of Revenues and Other Financing Sources  
Over Expenditures and Other Financing Uses

GAAP Basis	\$93,493
Adjustments:	
Revenue Accrual	(266,050)
Expenditure Accrual	35,105
Encumbrances	(236,752)
Transfers In	216,588
Transfers Out	(215,721)
Advances In	35,514
Budget Basis	(\$337,823)

**Note 5 - Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys 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.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, \$1,238,471 of the District's bank balance of \$2,487,361 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, that are not covered by any federal deposit insurance.

**Investments**

As of June 30, 2011, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury Notes	\$4,047,350	2.25
STAR Ohio	1,553,770	0.16
Total Fair Value	\$5,601,120	
Portfolio Weighted Average Maturity		1.72

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in US Treasury Notes were not rated by S&P, were rated Aaa by Moody's and AAA by Fitch. The District's investments in STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 72% of the District's investments in US Treasury Notes and 28% in STAR Ohio.

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. All of the District's securities are registered in the name of the District.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 6 - Property Taxes**

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Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Greene, Montgomery, and Clark 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, 2011, are available to finance fiscal year 2012 operations. The amount available for advance can vary based on the date the tax bills are sent.

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

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2011. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2011 on the fund statements. The entire amount of delinquent taxes receivable is recognized as revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011, was \$1,472,697 for General Fund, \$115,857 for Other Governmental Funds, and is recognized as revenue.

The assessed values upon which fiscal year 2011 taxes were collected are:

	<u>2011 First Half Collections</u>		<u>2010 Second Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$635,189,390	97.53%	\$626,843,810	97.47%
Public Utility Personal	15,306,870	2.35%	14,642,410	2.28%
Tangible Personal Property	<u>775,420</u>	<u>0.12%</u>	<u>1,606,450</u>	<u>0.25%</u>
Total Assessed Value	<u>\$651,271,680</u>	<u>100.00%</u>	<u>\$643,092,670</u>	<u>100.00%</u>

**Note 7 – Receivables**

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Receivables at June 30, 2011 include taxes, accounts, interest, and intergovernmental. 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.

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**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$299,675	\$0	\$0	\$299,675
Total Capital Assets, not being depreciated	299,675	0	0	299,675
<i>Capital Assets, being depreciated:</i>				
Land Improvements	7,490,760	10,435	0	7,501,195
Buildings and Improvements	27,922,579	10,000	0	27,932,579
Furniture and Equipment	4,594,988	35,150	0	4,630,138
Vehicles	4,351,446	25,800	0	4,377,246
<i>Total Capital Assets, being depreciated:</i>	44,359,773	81,385	0	44,441,158
Totals at Historical Cost	<u>44,659,448</u>	<u>81,385</u>	<u>0</u>	<u>44,740,833</u>
Less Accumulated Depreciation:				
Land Improvements	3,783,644	340,973	0	4,124,617
Buildings and Improvements	18,819,126	742,659	0	19,561,785
Furniture and Equipment	4,529,121	58,711	0	4,587,832
Vehicles	3,296,156	134,051	0	3,430,207
Total Accumulated Depreciation	<u>30,428,047</u>	<u>1,276,394</u>	<u>0</u>	<u>31,704,441</u>
Governmental Activities Capital Assets, Net	<u>\$14,231,401</u>	<u>(\$1,195,009)</u>	<u>\$0</u>	<u>\$13,036,392</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,082,203
Special	7,739
Support Services:	
Instructional Staff	13,195
School Administration	39,381
Business	3,024
Operations and Maintenance	5,875
Pupil Transportation	107,721
Central	800
Operation of Non-Instructional Services	16,456
Total Depreciation Expense	<u>\$1,276,394</u>

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 9 - Risk Management**

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The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2011, the School District carried property and general liability insurance and boiler and machinery insurance.

Professional liability is protected by the Selective Insurance Company, with \$1,000,000 each occurrence, and \$3,000,000 in annual aggregate limit. An additional “umbrella” policy through Genesis Insurance Company has \$5,000,000 per occurrence and \$5,000,000 aggregate limit.

The School District contracted with Selective Insurance Company for building and property insurance. Commercial property is insured at a limit of \$115,687,988 with a \$1,000 deductible on everything except boiler and machinery that have a \$3,500 deductible.

Automobile liability is also covered by Selective Insurance Company for replacement cost with a \$1,000 comprehensive deductible, \$1,000 collision deductible, and combined single limit each accident of \$1,000,000.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

**Note 10 - Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.



**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$936,072, \$729,913, and \$504,102, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**State Teachers Retirement System of Ohio**

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$3,134,796, \$2,850,150, and \$2,666,605, respectively; 83% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Note 11- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$50,815, \$43,406 and \$41,593, respectively, which equaled the required contributions each year.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$95,613, \$146,747, and \$325,574, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

**Funding Policy**

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$223,914, \$219,242, and \$205,077, respectively; 83% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Note 12 - Long Term Debt**

Debt obligations of the School District at June 30, 2011 consisted of the following:

	Interest Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
<u>General Obligation Bonds and Notes:</u>						
General Improvement Bonds	4.7-4.95%	\$595,000	\$0	(\$595,000)	\$0	\$0
General Improvement Bonds - Refunded						
Current Interest Bonds	4-5.25%	14,710,000	0	(140,000)	14,570,000	770,000
Capital Appreciation Bonds - Principal Only		99,987	0	0	99,987	0
Accretion of Interest		0	491,740	0	491,740	0
General Improvement Bond Premium		1,277,140	0	(75,126)	1,202,014	0
Energy Conservation Improvement	3.5-4.6%	670,000	0	(155,000)	515,000	165,000
Total Bonds and Notes		17,352,127	491,740	(965,126)	16,878,741	935,000
Compensated Absences		3,331,326	527,686	(332,024)	3,526,988	616,398
Total Governmental Activities						
Long-Term Liabilities		\$20,683,453	\$1,019,426	(\$1,297,150)	\$20,405,729	\$1,551,398

General improvement bonds issued August 1, 2000, with a variable interest rate of 4.7 – 4.95% to be paid from the debt service fund with the final maturity being during fiscal year 2027. In May 2006, these bonds were partially refunded and now have a variable interest rate of 4.0% to 5.25% with a final maturity date of 12/1/2026. A significant savings will be seen by the School District with this refunded issue.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

Energy Conservation Improvement bonds were issued February 28, 2002 for \$1,705,000 at a variable interest rate of 3.5 – 4.6% for the purpose of the improvement and renovation of buildings. The bonds were issued for a twelve year period with a final maturity during fiscal year 2014.

All debt issues will be retired from the Debt Service Fund. Compensated absences will be paid from the funds from which the employees’ salaries are paid. The School District’s overall legal debt margin was \$45,128,508, the energy conservation loan debt margin was \$5,346,445 with an unvoted debt margin of \$651,272 at June 30, 2011.

The annual requirements to amortize all debt outstanding as of June 30, 2011 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$935,000	\$704,251	\$1,639,251	\$0	\$0	\$0
2013	965,000	664,831	1,629,831	0	0	0
2014	180,000	4,140	184,140	58,977	1,417,267	1,476,244
2015	0	0	0	41,010	1,425,233	1,466,243
2016	835,000	617,978	1,452,978	0	0	0
2017-2021	4,740,000	2,463,019	7,203,019	0	0	0
2022-2026	6,035,000	1,133,125	7,168,125	0	0	0
2027	1,395,000	34,875	1,429,875	0	0	0
Total	\$15,085,000	\$5,622,219	\$20,707,219	\$99,987	\$2,842,500	\$2,942,487

**Note 13 - Employee Benefits**

Compensated Absences

The criteria for determining vested vacation and sick leave amounts are derived from negotiated agreements and State laws. Classified employees and Administrators earn ten to twenty days of vacation per year, depending upon length of service. Employees may accumulate and carry over up to two years vacation accumulation. At the time of separation, an employee is entitled to compensation at the current rate of pay for all unused vacation accrued for the immediately preceding two years in addition to the prorated portion of earned but unused vacation leave for the current year. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 252 days for teachers and administrators and 243 days for the classified staff. Upon retirement with a minimum of ten years of service with the School District or employees who attain age 55 or retire through STRS or SERS payment is made for thirty-three percent of the employee's accumulated sick leave up to a maximum of 84 days for teachers and administrators and 81 days for classified staff.

Life Insurance

The School District provides life insurance and accidental death insurance to most employees through Unum Life Insurance Company of America.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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Employee Medical/Dental Benefits

The School District has elected to provide employee medical/surgical benefits through Anthem. The School District pays 90% of family or single plans with the exception of 9 month employees. For employees working less than 10 months the board pays 90% for a single plan and 50% of a family plan. The School District provides 100% of the cost dental insurance to employees.

**Note 14 - Interfund Balance/Transfers**

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Interfund balances at June 30, 2011, consist of the following transfers:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$0	\$243,875
Other Governmental Funds	<u>243,875</u>	<u>0</u>
Total All Funds	<u>\$243,875</u>	<u>\$243,875</u>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**Note 15 - Set-Aside Calculations and Fund Reserves**

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The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2010	\$794,078	\$0
Current Year Set Aside Requirements	656,870	656,870
Qualified Disbursements	<u>(341,073)</u>	<u>(795,332)</u>
Set Aside Reserve Balance as of June 30, 2011	<u>\$1,109,875</u>	<u>(\$138,462)</u>
Restricted Cash as of June 30, 2011	<u>\$1,109,875</u>	<u>\$0</u>

**Note 16 -Jointly Governed Organizations**

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**Southwestern Ohio Educational Purchasing Council (SOEPC)**

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of over 126 public school districts in 18 counties. The purpose of the council is to obtain reduced prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. The School District paid \$430,428 to SOEPC for the year ended June 30, 2011. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center, Suite 208, Vandalia, OH 45377.

**Miami Valley Special Education Regional Resource Center**

The Miami Valley Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 38 members made up of the 38 superintendents, 6 parent mentors, 12 special education directors, and one university. Some entities have more than one voting delegate. Financial information can be obtained from Joni Shoemaker, at the Montgomery County Educational Service Center, 200 S Keowee Street, Dayton, Ohio 45402.

**Southwestern Ohio Instructional Technology Association (SOITA)**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.



**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from within the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. The School District paid \$2,144 to SOITA for the year ended June 30, 2011. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pouge, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**Greene County Career Center**

The Greene County Career Center 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 Districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, Judy Geers, who serves as Treasurer, at 2960 W. Enon Rd., Xenia, OH 45385.

**Metropolitan Dayton Educational Cooperative Association**

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public Districts within the boundaries of Montgomery, Miami and Darke Counties, and the Cities of Dayton, Troy, Fairborn, and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts.

The governing board of MDECA consists of seven Superintendents of member Districts, with six of the Superintendents elected by majority vote of all member Districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid \$95,719 for these services for the year ended June 30, 2011. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 17 - Insurance Purchasing Pool**

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The School District is a member of the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (SOEPC). The cooperative council contracts with Hunter Consulting, Inc. as the Third Party Administrator (TPA) and Comp Management as MCO to provide an insurance purchasing pool for workers compensation. The School District is penalty rated due to a large number of claims and therefore does not receive the low rate. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center, Suite 208, Vandalia, OH 45377.

**Note 18 – Contingencies**

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The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**Note 19 – Permanent Fund Balance**

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The School District's permanent fund consists of many different donations established for a variety of purposes. The permanent fund includes donor-restricted endowment funds. Net assets associated with the permanent fund are classified and reported based on the existence or absence of donor-imposed restrictions. Any additional School Board restrictions are reported in expendable net assets under the permanent fund.

The School District records the annual income of the permanent fund as expendable net assets and appropriated for expenditure upon meeting other donor restrictions. The School District reports the original and any future permanently restricted donor funds as nonexpendable net assets that are used to generate interest income that is available for expenditure.

The School District has a spending policy with respect to expendable amounts available for distribution within the permanent fund. The School District has typically expended less than the interest earned; however, all expendable funds could be distributed as long as the other donor restrictions have been satisfied.

The following table shows the changes in the expendable and nonexpendable net assets of the permanent fund during the fiscal year:

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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	Net Assets	
	<u>Expendable</u>	<u>Nonexpendable</u>
Beginning Balance - June 30, 2010	\$69,276	\$140,000
Contributions:		
Interest	3	0
Additional gifts (unrestricted)	750	0
Deductions:		
Instructional assistance	(4,090)	0
Ending Balance - June 30, 2011	<u>\$65,939</u>	<u>\$140,000</u>

**Note 20 – Fund Balances**

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Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

Fund Balances	General	Other Governmental Funds	Total
<b>Nonspendable:</b>			
Endowment	\$0	\$140,000	\$140,000
Inventory	0	17,737	17,737
<b>Total Nonspendable</b>	<b>0</b>	<b>157,737</b>	<b>157,737</b>
<b>Restricted for:</b>			
Instructional Materials	1,109,875	0	1,109,875
District Managed Activities	0	58,761	58,761
Auxiliary Services	0	19,743	19,743
Public Preschool	0	12,192	12,192
Miscellaneous State Grants	0	60	60
Title VI-B Grant	0	96,073	96,073
Title II-D Grant	0	6,869	6,869
Title III Grant	0	2,237	2,237
Title I	0	28,673	28,673
EHA PreSchool Grant	0	7,583	7,583
Improving Teacher Quality	0	12,868	12,868
Miscellaneous Federal Grants	0	1,646	1,646
Food Service	0	1,357,001	1,357,001
Special Trust	0	7,619	7,619
Debt Service	0	1,084,057	1,084,057
Building	0	11,256	11,256
Endowment	0	65,939	65,939
<b>Total Restricted</b>	<b>1,109,875</b>	<b>2,772,577</b>	<b>3,882,452</b>
<b>Assigned to:</b>			
Encumbrances	208,250	0	208,250
<b>Total Assigned</b>	<b>208,250</b>	<b>0</b>	<b>208,250</b>
<b>Unassigned (Deficit)</b>	<b>1,283,117</b>	<b>(196,799)</b>	<b>1,086,318</b>
<b>Total Fund Balance</b>	<b>\$2,601,242</b>	<b>\$2,733,515</b>	<b>\$5,334,757</b>

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

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**Note 21 – Change in Accounting Principles and Restatement of Fund Balance**

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**Change in Accounting Principles**

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

**Restatement of Fund Balance**

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	General Fund	Other Governmental Funds
	<u>                    </u>	<u>                    </u>
Fund Balance, June 30, 2010	\$2,375,813	\$2,722,508
Change in Fund Structure	<u>131,936</u>	<u>(131,936)</u>
Fund Balance, June 30, 2010 - Restated	<u><u>\$2,507,749</u></u>	<u><u>\$2,590,572</u></u>

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FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$112,916		\$87,156
Cash Assistance:					
School Breakfast Program	10.553	\$261,137		\$261,137	
National School Lunch Program	10.555	707,393		707,393	
Summer Food Service Program for Children	10.559	9,843		9,843	
Total Child Nutrition Cluster		<u>978,373</u>	<u>112,916</u>	<u>978,373</u>	<u>87,156</u>
Child Nutrition Discretionary Grants Limited Availability	10.579			4,749	
Total U.S. Department of Agriculture		<u>978,373</u>	<u>112,916</u>	<u>983,122</u>	<u>87,156</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Title 1, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	1,213,443		1,233,147	
ARRA - Title I Grants to Local Educational Agencies	84.389	256,202		242,092	
Total Title 1, Part A Cluster		<u>1,469,645</u>		<u>1,475,239</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	1,088,267		1,056,552	
Special Education Preschool Grants	84.173	38,758		40,535	
ARRA - Special Education Grants to States	84.391	431,918		434,650	
Total Special Education Cluster		<u>1,558,943</u>		<u>1,531,737</u>	
Education Technology State Grants	84.318	1,913		1,063	
English Language Acquisition Grants	84.365	16,482		14,245	
Improving Teacher Quality State Grants	84.367	283,063		267,079	
ARRA - Education for Homeless Children and Youth	84.387	12,727		15,801	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	1,355,978		1,668,023	
<i>Direct Aid</i>					
Impact Aid	84.041	530,942		530,942	
Total U.S. Department of Education		<u>5,229,693</u>		<u>5,504,129</u>	
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>					
<i>Passed Through Ohio Department of Education</i>					
Learn and Serve America School and Community Based Programs	94.004	15,000		13,354	
<i>Passed Through Cleveland State University</i>					
Learn and Serve America School and Community Based Programs	94.004	4,114		4,114	
Total Corporation for National and Community Service		<u>19,114</u>		<u>17,468</u>	
Total		<u>\$6,227,180</u>	<u>\$112,916</u>	<u>\$6,504,719</u>	<u>\$87,156</u>

The accompanying notes are an integral part of this schedule.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Fairborn City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Fairborn City School District  
Greene County  
306 East Whittier Avenue  
Fairborn, Ohio 45324

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairborn City School District, Greene County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 30, 2012 wherein we noted that that the District adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 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.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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 directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 30, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

March 30, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Fairborn City School District  
Greene County  
306 East Whittier Avenue  
Fairborn, Ohio 45324

To the Board of Education:

### Compliance

We have audited the compliance of Fairborn City School District, Greene County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Fairborn City School District major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 District's compliance with these 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 District's compliance with these requirements.

In our opinion, the Fairborn City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control over Compliance

The 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 the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*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 noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 30, 2012.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 30, 2012

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster (CFDA # 10.553, 10.555 & 10.559)  Special Education Cluster (CFDA # 84.027, 84.173 & 84.391)  ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants (CFDA #84.394)  Impact Aid (CFDA #84.041)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**None**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	ORC 3315.17 & .171, 3315.18 & .181, 3317.012, 3317.02 – Incorrect calculation of set aside amounts	No	Partially corrected. Repeated in the management letter
2010-002	Due from Other Governments not properly calculated	Yes	

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Fairborn City School District  
Greene County  
306 East Whittier Avenue  
Fairborn, Ohio 45324

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Fairborn City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 30, 2012

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**FAIRBORN CITY SCHOOL DISTRICT**

**GREENE 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  
MAY 15, 2012**