



Dave Yost • Auditor of State

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Fairbanks Local School District
Union County
11158 State Route 38
Milford Center, Ohio 43045

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, Union County, Ohio, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows, 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.

Other Matters

Required Supplementary Information

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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The management's discussion and analysis of Fairbanks Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position increased \$1,121,196. Net position of governmental activities increased \$1,101,211, which represents a 12.40% increase from 2012, as restated in Note 3.A. Net position of business-type activities increased \$19,985 from 2012.
- For governmental activities, general revenues accounted for \$11,036,964, or 87.59% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,563,961, or 12.41%, of total revenues of \$12,600,925.
- The District had \$11,499,714 in expenses related to governmental activities; only \$1,563,961 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,036,964 were adequate to provide for the programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$10,312,422 in revenues and \$9,431,249 in expenditures and other financing uses. The general fund's fund balance increased \$881,173 from a balance of \$2,656,044 to \$3,537,217.
- The bond retirement fund had \$10,900,745 in revenues and other financing sources and \$10,709,843 in expenditures and other financing uses. The bond retirement fund's fund balance increased \$190,902 from a balance of \$693,296 to \$884,198.
- Net position for the District's enterprise fund increased \$19,985. The Fairbanks Elementary Extended Day Program (F.E.E.D. Program), a nonmajor enterprise fund, had \$53,686 in operating revenues and \$33,701 in operating expenses.

Using the Basic Financial Statements

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The District's statement of net position and statement of activities can be found on pages 14-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 25 and 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-57 of this report.

The District as a Whole

Certain asset, deferred outflow, liability, deferred inflow, and net position classifications have been reclassified by the District for fiscal year 2012 to conform to fiscal year 2013 presentation in accordance with GASB Statement No. 63 and GASB Statement No. 65. The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The table below provides a summary of the District's net position for governmental activities and business-type activities at June 30, 2013 and June 30, 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

	(Restated)		Net Position			
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current assets	\$ 11,176,574	\$ 10,467,449	\$ 38,401	\$ 17,816	\$ 11,214,975	\$ 10,485,265
Capital assets, net	16,484,435	16,482,986	-	-	16,484,435	16,482,986
Total assets	27,661,009	26,950,435	38,401	17,816	27,699,410	26,968,251
Deferred outflows	13,952	-	-	-	13,952	-
Liabilities						
Current liabilities	1,146,516	1,177,003	1,757	1,157	1,148,273	1,178,160
Long-term liabilities	11,889,795	12,093,923	-	-	11,889,795	12,093,923
Total liabilities	13,036,311	13,270,926	1,757	1,157	13,038,068	13,272,083
Deferred inflows	4,658,620	4,800,690	-	-	4,658,620	4,800,690
Net Position						
Net investment in capital assets	5,719,229	5,421,307	-	-	5,719,229	5,421,307
Restricted	847,067	1,213,444	-	-	847,067	1,213,444
Unrestricted	3,413,734	2,244,068	36,644	16,659	3,450,378	2,260,727
Total net position	\$ 9,980,030	\$ 8,878,819	\$ 36,644	\$ 16,659	\$ 10,016,674	\$ 8,895,478

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$10,016,674. \$9,980,030 of this total is in governmental activities, and \$36,644 is in business-type activities.

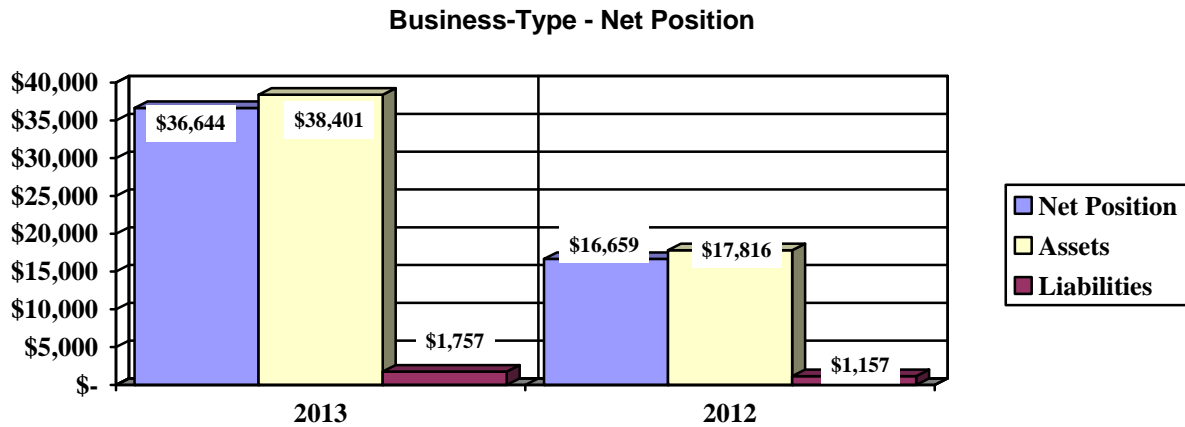
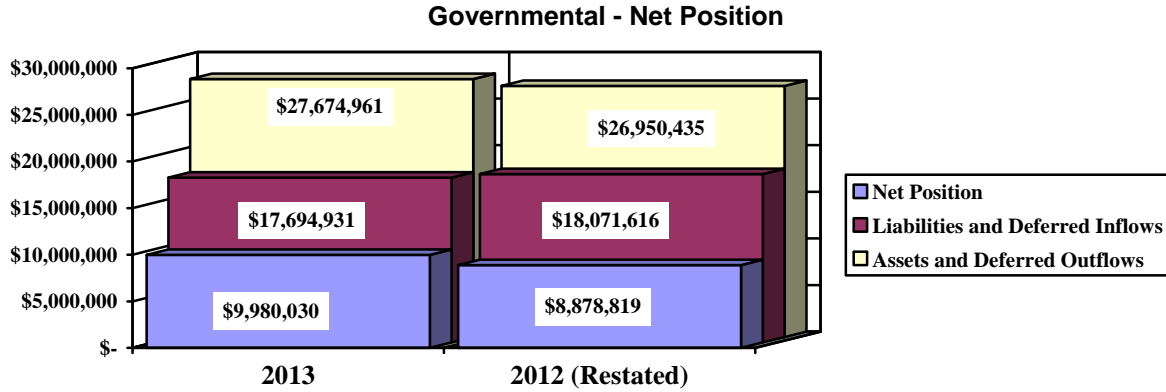
Capital assets reported on the government-wide statements represented 59.59% of total assets. Capital assets include land, land improvements, buildings/improvements, furniture/equipment and vehicles. The District's net investment in capital assets at June 30, 2013, was \$5,719,229 in the governmental activities. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$847,067, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position, \$3,413,734 is unrestricted in use.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The graphs below show the District's governmental activities assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2013 and June 30, 2012.



The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The table below shows the changes in net position for governmental activities and business-type activities for fiscal years 2013 and 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

	Change in Net Position				(Restated)	
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services and sales	\$ 808,675	\$ 754,170	\$ 48,713	\$ 30,424	\$ 857,388	\$ 784,594
Operating grants and contributions	755,286	789,878	4,973	-	760,259	789,878
General revenues:						
Property taxes	6,730,199	5,962,788	-	-	6,730,199	5,962,788
Income taxes	1,475,138	1,911,214	-	-	1,475,138	1,911,214
Grants and entitlements	2,746,680	2,917,048	-	-	2,746,680	2,917,048
Investment earnings	21,012	26,994	-	-	21,012	26,994
Other	63,935	25,717	-	-	63,935	25,717
Total revenues	12,600,925	12,387,809	53,686	30,424	12,654,611	12,418,233
Expenses						
Program expenses:						
Instruction:						
Regular	4,697,085	4,839,952	-	-	4,697,085	4,839,952
Special	923,643	981,733	-	-	923,643	981,733
Vocational	16,389	11,693	-	-	16,389	11,693
Other	80,514	80,740	-	-	80,514	80,740
Support services:						
Pupil	707,000	714,719	-	-	707,000	714,719
Instructional staff	547,057	391,594	-	-	547,057	391,594
Board of education	47,489	57,217	-	-	47,489	57,217
Administration	771,774	817,157	-	-	771,774	817,157
Fiscal	421,012	426,983	-	-	421,012	426,983
Operations and maintenance	1,344,494	1,018,540	-	-	1,344,494	1,018,540
Pupil transportation	758,669	614,787	-	-	758,669	614,787
Central	5,400	-	-	-	5,400	-
Food service	325,830	322,805	-	-	325,830	322,805
Other non-instructional services	136,581	182,959	-	-	136,581	182,959
Extracurricular activities	36,342	291,133	-	-	36,342	291,133
Interest and fiscal charges	680,435	551,645	-	-	680,435	551,645
F.E.E.D. Program	-	-	33,701	28,678	33,701	28,678
Total expenses	11,499,714	11,303,657	33,701	28,678	11,533,415	11,332,335
Changes in net position	1,101,211	1,084,152	19,985	1,746	1,121,196	1,085,898
Net position at beginning of year (restated)	8,878,819	7,794,667	16,659	14,913	8,895,478	7,809,580
Net position at end of year	<u>\$ 9,980,030</u>	<u>\$ 8,878,819</u>	<u>\$ 36,644</u>	<u>\$ 16,659</u>	<u>\$ 10,016,674</u>	<u>\$ 8,895,478</u>

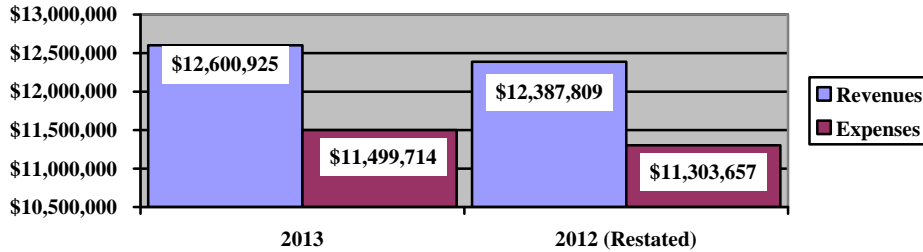
Governmental Activities

Net position of the District's governmental activities increased \$1,101,211. During 2013, total governmental expenses of \$11,499,714 were offset by program revenues of \$1,563,961 and general revenues of \$11,036,964. Program revenues supported 13.60% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 86.91% of total governmental revenue. Real estate property is reappraised every six years. The graph below presents the District's governmental activities revenues and expenses for fiscal years 2013 and 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2013 and 2012.

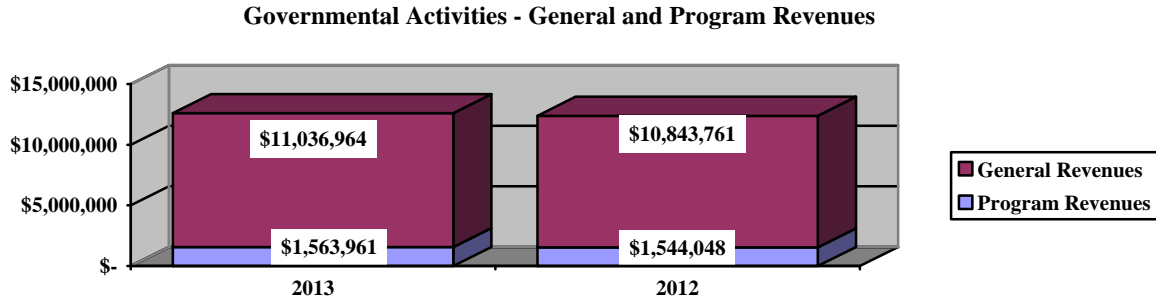
	Total Cost of Services 2013	Net Cost of Services 2013	(Restated) Total Cost of Services 2012	(Restated) Net Cost of Services 2012
Program expenses:				
Instruction:				
Regular	\$ 4,697,085	\$ 4,331,433	\$ 4,839,952	\$ 4,455,901
Special	923,643	683,965	981,733	707,181
Vocational	16,389	(6,492)	11,693	(11,188)
Other	80,514	80,514	80,740	80,740
Support services:				
Pupil	707,000	608,459	714,719	595,430
Instructional staff	547,057	377,747	391,594	294,490
Board of education	47,489	47,489	57,217	57,217
Administration	771,774	771,774	817,157	816,284
Fiscal	421,012	421,012	426,983	426,983
Operations and maintenance	1,344,494	1,344,494	1,018,540	1,018,540
Pupil transportation	758,669	731,150	614,787	588,519
Central	5,400	-	-	-
Food service	325,830	(40,041)	322,805	(41,811)
Operation of non-instructional services	136,581	(13,128)	182,959	15,238
Extracurricular activities	36,342	(83,058)	291,133	204,440
Interest and fiscal charges	680,435	680,435	551,645	551,645
Total expenses	\$ 11,499,714	\$ 9,935,753	\$ 11,303,657	\$ 9,759,609

The dependence upon tax revenues during fiscal year 2013 for governmental activities is apparent, as 89.01% of 2013 instruction activities are supported through taxes and other general revenues. General revenue support for all governmental activities was 86.40% in 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The graph below presents the District's governmental activities revenues for fiscal years 2013 and 2012.



Business-Type Activities

Business-type activities include the F.E.E.D. Program operation. This program had operating revenues of \$53,686 and operating expenses of \$33,701 for fiscal year 2013. The District's business-type activities receive no support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$4,946,504, which is higher than last year's balance of \$3,821,908. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Increase
General	\$ 3,537,217	\$ 2,656,044	\$ 881,173
Bond retirement	884,198	693,296	190,902
Other governmental	<u>525,089</u>	<u>472,568</u>	<u>52,521</u>
Total	<u>\$ 4,946,504</u>	<u>\$ 3,821,908</u>	<u>\$1,124,596</u>

General Fund

The District's general fund balance increased \$881,173 during fiscal year 2013 primarily due to increased tax and tuition revenues outpacing steady instruction and support services expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,992,071	\$ 6,616,921	\$ 375,150	5.67 %
Tuition	379,836	345,416	34,420	9.96 %
Interest earnings	20,604	24,626	(4,022)	(16.33) %
Intergovernmental	2,776,467	2,951,922	(175,455)	(5.94) %
Other revenues	<u>143,444</u>	<u>121,000</u>	<u>22,444</u>	18.55 %
Total	<u>\$ 10,312,422</u>	<u>\$ 10,059,885</u>	<u>\$ 252,537</u>	2.51 %
<u>Expenditures</u>				
Instruction	\$ 5,319,412	\$ 5,392,782	\$ (73,370)	(1.36) %
Support services	3,824,476	3,674,929	149,547	4.07 %
Extracurricular activities	198,222	193,159	5,063	2.62 %
Debt service	<u>49,350</u>	<u>6,941</u>	<u>42,409</u>	610.99 %
Total	<u>\$ 9,391,460</u>	<u>\$ 9,267,811</u>	<u>\$ 123,649</u>	1.33 %

The increase in taxes is primarily due to variances in the amount of tax advance that was available to the District from the County Auditors at the end of fiscal years 2013 and 2012. The amount of tax advances available from the County Auditors can vary depending upon when tax bills are mailed. Tuition revenues increased during fiscal year 2013 primarily due to an increase in open enrollment. Earnings on investments decreased due to the declining interest rate market. All other revenues remained consistent with the prior year.

Debt service expenditures increased due to the District beginning payments on the 2011 series energy conservation bonds. All other expenditures remained consistent with the prior year.

Bond Retirement Fund

The bond retirement fund had \$10,900,745 in revenues and other financing sources and \$10,709,843 in expenditures. During fiscal year 2013, the bond retirement fund's fund balance increased \$190,902 from \$693,296 to \$884,198.

General Fund Budgeting Highlights

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

During the course of fiscal 2013, the District amended its general fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$10,355,266. This was \$873,808 higher than the original budgeted revenues of \$9,481,458. Actual revenues and other financing sources for fiscal 2013 was \$10,342,207, which is \$13,059 less than final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,262,618 were increased to \$10,269,406 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$9,903,329, which is \$366,077 lower than the final appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2013, the District had \$16,484,435 invested in land, land improvements, buildings/improvements, furniture/equipment and vehicles. This total amount was reported in governmental activities. The following table shows June 30, 2013 balances compared to June 30, 2012:

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	2013	2012
Land	\$ 80,849	\$ 80,849
Construction in progress	-	491,209
Land improvements	591,021	185,829
Building/improvements	14,523,172	14,332,860
Furniture/equipment	948,805	1,005,226
Vehicles	340,588	387,013
Total	\$ 16,484,435	\$ 16,482,986

The overall increase in capital assets of \$1,449 is due capital outlay of \$528,506 exceeding depreciation expense of \$525,242 and disposals of \$1,815 (net of accumulated depreciation).

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

Debt Administration

At June 30, 2013 the District had \$39,000 in energy conservation notes, \$9,450,632 in general obligation bonds and \$543,129 in energy conservation bonds outstanding. Of this total, \$531,475 is due within one year and \$9,501,286 is due in greater than one year. The following table summarizes the District's debt obligations outstanding at June 30, 2013 and 2012.

Outstanding Debt, at Year End

	Governmental Activities 2013	Governmental Activities 2012
	2013	2012
General obligation bonds	\$ 9,450,632	\$ 10,575,428
Energy conservation bonds	543,129	576,085
Energy conservation notes	39,000	76,000
Total	\$ 10,032,761	\$ 11,227,513

At June 30, 2013 the District's overall legal debt margin was \$10,545,967 with an unvoted debt margin of \$205,631.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Current Financial Related Activities

No significant events took place for fiscal year 2013 as the District continues to be financially stable. Much of the continued stability will depend on future state funding. A five-year emergency levy was renewed by District voters in November, 2013. This levy is approximately 16% of revenues and is needed for operations. The District has received community support for the District in the past. Funding from the state should remain stable for the next two years. The District has some concern for a continued charter school movement that pulls funding away from the District and directs funding to charter schools. The financial forecast for fiscal year 2014 is positive.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Aaron S. Johnson, Treasurer, Fairbanks Local School District, 1258 State Route 38, Milford Center, Ohio 43045.

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

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 4,449,858	\$ 38,274	\$ 4,488,132
Receivables:			
Property taxes	5,684,575	-	5,684,575
Income taxes.	962,801	-	962,801
Accrued interest	426	-	426
Intergovernmental	61,034	127	61,161
Prepayments	16,603	-	16,603
Materials and supplies inventory.	1,277	-	1,277
Capital assets:			
Land	80,849	-	80,849
Depreciable capital assets, net.	16,403,586	-	16,403,586
Capital assets, net	<u>16,484,435</u>	<u>-</u>	<u>16,484,435</u>
Total assets.	<u>27,661,009</u>	<u>38,401</u>	<u>27,699,410</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	<u>13,952</u>	<u>-</u>	<u>13,952</u>
Total deferred outflows of resources	<u>13,952</u>	<u>-</u>	<u>13,952</u>
Liabilities:			
Accounts payable.	51,621	-	51,621
Accrued wages and benefits payable	848,781	-	848,781
Pension obligation payable.	186,546	1,757	188,303
Intergovernmental payable	41,809	-	41,809
Accrued interest payable	17,759	-	17,759
Long-term liabilities:			
Due within one year.	604,967	-	604,967
Due in more than one year.	11,284,828	-	11,284,828
Total liabilities	<u>13,036,311</u>	<u>1,757</u>	<u>13,038,068</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	<u>4,658,620</u>	<u>-</u>	<u>4,658,620</u>
Total deferred inflows of resources	<u>4,658,620</u>	<u>-</u>	<u>4,658,620</u>
Net position:			
Net investment in capital assets	5,719,229	-	5,719,229
Restricted for:			
Capital projects	356,593	-	356,593
Debt service.	288,155	-	288,155
Locally funded programs	827	-	827
State funded programs.	40,998	-	40,998
Federally funded programs	596	-	596
Student activities	38,619	-	38,619
Other purposes	121,279	-	121,279
Unrestricted	3,413,734	36,644	3,450,378
Total net position.	<u>\$ 9,980,030</u>	<u>\$ 36,644</u>	<u>\$ 10,016,674</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Instruction:			
Regular	\$ 4,697,085	\$ 365,652	\$ -
Special	923,643	57,824	181,854
Vocational	16,389	-	22,881
Other	80,514	-	-
Support services:			
Pupil.	707,000	41,152	57,389
Instructional staff	547,057	1,004	168,306
Board of education	47,489	-	-
Administration.	771,774	-	-
Fiscal.	421,012	-	-
Operations and maintenance	1,344,494	-	-
Pupil transportation.	758,669	18,713	8,806
Central	5,400	-	5,400
Operation of non-instructional services:			
Other non-instructional services	136,581	-	149,709
Food service operations	325,830	230,166	135,705
Extracurricular activities.	36,342	94,164	25,236
Interest and fiscal charges	680,435	-	-
Total governmental activities	<u>11,499,714</u>	<u>808,675</u>	<u>755,286</u>
Business-type activities:			
F.E.E.D Program	33,701	48,713	4,973
Total business-type activities	<u>33,701</u>	<u>48,713</u>	<u>4,973</u>
Totals	<u>\$ 11,533,415</u>	<u>\$ 857,388</u>	<u>\$ 760,259</u>

General revenues:

Property taxes levied for:
General purposes
Debt service.
School district income tax
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position at beginning of year (restated) .
Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (4,331,433)	\$ -	\$ (4,331,433)
(683,965)	-	(683,965)
6,492	-	6,492
(80,514)	-	(80,514)
(608,459)	-	(608,459)
(377,747)	-	(377,747)
(47,489)	-	(47,489)
(771,774)	-	(771,774)
(421,012)	-	(421,012)
(1,344,494)	-	(1,344,494)
(731,150)	-	(731,150)
-	-	-
13,128	-	13,128
40,041	-	40,041
83,058	-	83,058
(680,435)	-	(680,435)
(9,935,753)	-	(9,935,753)
-	19,985	19,985
-	19,985	19,985
(9,935,753)	19,985	(9,915,768)
5,981,731	-	5,981,731
748,468	-	748,468
1,475,138	-	1,475,138
2,746,680	-	2,746,680
21,012	-	21,012
63,935	-	63,935
11,036,964	-	11,036,964
1,101,211	19,985	1,121,196
8,878,819	16,659	8,895,478
\$ 9,980,030	\$ 36,644	\$ 10,016,674

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 3,319,352	\$ 793,477	\$ 337,029	\$ 4,449,858
Receivables:				
Property taxes.	4,941,442	743,133	-	5,684,575
Income taxes	722,101	-	240,700	962,801
Accrued interest	426	-	-	426
Interfund loans	1,166	-	-	1,166
Intergovernmental.	42,064	-	18,970	61,034
Prepayments.	-	-	16,603	16,603
Materials and supplies inventory.	-	-	1,277	1,277
Total assets	\$ 9,026,551	\$ 1,536,610	\$ 614,579	\$ 11,177,740
Liabilities:				
Accounts payable	\$ 45,153	\$ -	\$ 6,468	\$ 51,621
Accrued wages and benefits payable	820,567	-	28,214	848,781
Compensated absences payable	29,764	-	-	29,764
Interfund loans payable.	-	-	1,166	1,166
Intergovernmental payable	36,795	-	5,014	41,809
Pension obligation payable	173,423	-	13,123	186,546
Total liabilities.	1,105,702	-	53,985	1,159,687
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	4,036,629	621,991	-	4,658,620
Delinquent property tax revenue not available	229,479	30,421	-	259,900
Accrued interest not available	426	-	-	426
Income tax revenue not available	95,172	-	31,724	126,896
Intergovernmental revenue not available	21,926	-	3,781	25,707
Total deferred inflows of resources	4,383,632	652,412	35,505	5,071,549
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	1,277	1,277
Prepays.	-	-	16,603	16,603
Restricted:				
Debt service	-	884,198	-	884,198
Capital improvements	-	-	308,266	308,266
Food service operations	-	-	123,671	123,671
Non-public schools	-	-	40,458	40,458
Targeted academic assistance	-	-	108	108
Other purposes.	-	-	3,553	3,553
Extracurricular.	-	-	38,619	38,619
Assigned:				
Student instruction	3,189	-	-	3,189
Student and staff support.	40,584	-	-	40,584
School supplies	17,550	-	-	17,550
Subsequent year's appropriations	217,836	-	-	217,836
Other purposes.	2,197	-	-	2,197
Unassigned (deficit)	3,255,861	-	(7,466)	3,248,395
Total fund balances	3,537,217	884,198	525,089	4,946,504
Total liabilities, deferred inflows and fund balances	\$ 9,026,551	\$ 1,536,610	\$ 614,579	\$ 11,177,740

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013**

Total governmental fund balances		\$	4,946,504
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,484,435
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	259,900	
Income taxes receivable		126,896	
Accrued interest receivable		426	
Intergovernmental receivable		25,707	
Total		412,929	412,929
Unamortized premiums on bonds issued are not recognized in the funds.			(1,355,102)
Unamortized amounts on refundings are not recognized in the funds.			13,952
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(17,759)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(9,993,761)	
Energy conservation note payable		(39,000)	
Compensated absences		(472,168)	
Total		(10,504,929)	(10,504,929)
Net position of governmental activities		\$	9,980,030

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 6,023,102	\$ 757,603	\$ -	\$ 6,780,705
Income taxes	968,969	-	492,985	1,461,954
Tuition	379,836	-	-	379,836
Transportation fees	10,197	-	-	10,197
Earnings on investments	20,604	-	-	20,604
Charges for services	-	-	230,166	230,166
Extracurricular	-	-	94,164	94,164
Classroom materials and fees	43,640	-	-	43,640
Contributions and donations	38	-	15,000	15,038
Contract services	8,516	-	-	8,516
Other local revenues	81,053	-	35,054	116,107
Intergovernmental - intermediate	20,025	-	750	20,775
Intergovernmental - state	2,756,442	103,672	135,911	2,996,025
Intergovernmental - federal	-	-	475,831	475,831
Total revenues	10,312,422	861,275	1,479,861	12,653,558
Expenditures:				
Current:				
Instruction:				
Regular	4,401,973	-	66,441	4,468,414
Special	820,536	-	82,697	903,233
Vocational	16,389	-	-	16,389
Other	80,514	-	-	80,514
Support services:				
Pupil	639,181	-	57,926	697,107
Instructional staff	338,192	-	169,554	507,746
Board of education	47,317	-	-	47,317
Administration	723,233	-	3,068	726,301
Fiscal	400,190	16,063	857	417,110
Operations and maintenance	972,483	-	421,482	1,393,965
Pupil transportation	703,584	-	-	703,584
Central	-	-	5,400	5,400
Operation of non-instructional services:				
Other non-instructional services	296	-	135,446	135,742
Food service operations	-	-	355,784	355,784
Extracurricular activities	198,222	-	115,808	314,030
Facilities acquisition and construction	-	-	12,877	12,877
Debt service:				
Principal retirement	35,000	362,000	-	397,000
Interest and fiscal charges	14,350	332,100	-	346,450
Bond issuance costs	-	132,940	-	132,940
Total expenditures	9,391,460	843,103	1,427,340	11,661,903
Excess of revenues over expenditures	920,962	18,172	52,521	991,655
Other financing sources (uses):				
Premium on bonds sold	-	1,364,687	-	1,364,687
Sale of bonds	-	8,634,994	-	8,634,994
Transfers in	-	39,789	-	39,789
Transfers (out)	(39,789)	-	-	(39,789)
Payment to refunded bond escrow agent	-	(9,866,740)	-	(9,866,740)
Total other financing sources (uses)	(39,789)	172,730	-	132,941
Net change in fund balances	881,173	190,902	52,521	1,124,596
Fund balances at beginning of year	2,656,044	693,296	472,568	3,821,908
Fund balances at end of year	\$ 3,537,217	\$ 884,198	\$ 525,089	\$ 4,946,504

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds \$ 1,124,596

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

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

Capital asset additions	\$ 528,506	
Current year depreciation	(525,242)	
Total	3,264	

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (1,815)

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

Property taxes	(50,506)	
Income taxes	13,184	
Earnings on investments	408	
Intergovernmental	(15,706)	
Total	(52,620)	

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

Bonds	360,000	
Energy conservation notes	37,000	
Total	397,000	

Issuances of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. (8,634,994)

Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. 9,866,740

Premiums on debt issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (1,364,687)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	18,795	
Accreted interest on capital appreciation bonds	(252,254)	
Amortization of bond premiums	32,740	
Amortization of deferred charges	(326)	
Total	(201,045)	

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (35,228)

Change in net position of governmental activities **\$ 1,101,211**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 4,868,842	\$ 5,340,810	\$ 5,347,768	\$ 6,958
Income taxes	1,208,493	1,325,505	1,325,835	330
Tuition	345,775	379,297	379,836	539
Transportation fees	9,086	9,986	10,197	211
Earnings on investments	20,303	22,122	20,604	(1,518)
Contract services	7,752	8,504	8,516	12
Other local revenues	28,837	31,634	31,689	55
Intergovernmental - intermediate	18,229	19,997	20,025	28
Intergovernmental - state	2,546,895	2,790,165	2,756,442	(33,723)
Total revenues	<u>9,054,212</u>	<u>9,928,020</u>	<u>9,900,912</u>	<u>(27,108)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,573,832	4,573,832	4,433,597	140,235
Special	821,349	821,349	825,267	(3,918)
Vocational	18,500	18,500	16,382	2,118
Other	69,677	76,465	80,330	(3,865)
Support services:				
Pupil	629,121	629,121	612,992	16,129
Instructional staff	352,571	352,571	340,301	12,270
Board of education	64,961	64,961	55,765	9,196
Administration	807,105	807,105	748,986	58,119
Fiscal	427,127	427,127	400,240	26,887
Operations and maintenance	1,055,770	1,055,770	997,276	58,494
Pupil transportation	749,112	749,112	709,327	39,785
Extracurricular activities	194,493	194,493	192,561	1,932
Debt service:				
Principal	35,000	35,000	35,000	-
Interest and fiscal charges	14,350	14,350	14,350	-
Total expenditures	<u>9,812,968</u>	<u>9,819,756</u>	<u>9,462,374</u>	<u>357,382</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(758,756)</u>	<u>108,264</u>	<u>438,538</u>	<u>330,274</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	22,013	22,013
Refund of prior year's receipts	(1,000)	(1,000)	-	1,000
Transfers (out)	(39,850)	(39,850)	(39,789)	61
Advances in	420,000	420,000	412,036	(7,964)
Advances (out)	(408,800)	(408,800)	(401,166)	7,634
Sale of capital assets	7,246	7,246	7,246	-
Total other financing sources (uses)	<u>(22,404)</u>	<u>(22,404)</u>	<u>340</u>	<u>22,744</u>
Net change in fund balance	(781,160)	85,860	438,878	353,018
Fund balance at beginning of year	2,737,802	2,737,802	2,737,802	-
Prior year encumbrances appropriated	42,204	42,204	42,204	-
Fund balance at end of year	<u>\$ 1,998,846</u>	<u>\$ 2,865,866</u>	<u>\$ 3,218,884</u>	<u>\$ 353,018</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013**

	<u>Business-Type Activities - Non-Major Enterprise Fund</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 38,274
Receivables:	
Intergovernmental.	<u>127</u>
Total assets.	<u>38,401</u>
Liabilities:	
Pension obligation payable.	<u>1,757</u>
Total liabilities	<u>1,757</u>
Net position:	
Unrestricted.	<u>36,644</u>
Total net position.	<u><u>\$ 36,644</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Non-Major Enterprise Fund
Operating revenues:	
Tuition and fees.	\$ 48,713
Other	4,973
Total operating revenues	53,686
 Operating expenses:	
Personal services.	30,723
Purchased services.	145
Materials and supplies	2,833
Total operating expenses.	33,701
 Change in net position	19,985
 Net position at beginning of year.	16,659
 Net position at end of year	\$ 36,644

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Business-Type Activities - Non-Major Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 48,713
Cash received from other operations	4,973
Cash payments for personal services.	(30,250)
Cash payments for contractual services	(145)
Cash payments for materials and supplies	<u>(2,833)</u>
Net cash provided by operating activities	<u>20,458</u>
Cash and cash equivalents at beginning of year	<u>17,816</u>
Cash and cash equivalents at end of year	<u><u>\$ 38,274</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 19,985
Changes in assets and liabilities:	
Increase in intergovernmental receivable	(127)
Decrease in intergovernmental payable	(68)
Increase in pension obligation payable.	<u>668</u>
Net cash provided by operating activities.	<u><u>\$ 20,458</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 68,430	\$ 44,854
Total assets.	68,430	\$ 44,854
Liabilities:		
Accounts payable.	-	\$ 3,578
Due to students.	-	41,276
Total liabilities	-	\$ 44,854
Net position:		
Held in trust for scholarships	68,430	
Total net position.	\$ 68,430	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 419
Deductions:	
Scholarships awarded	1,298
Change in net position	(879)
Net position at beginning of year.	69,309
Net position at end of year	\$ 68,430

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District employs 70 certified employees and 42 non-certified employees to provide services to approximately 1,038 students. The District cooperates with the Educational Service Center of Central Ohio, a separate entity, for curricular services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

A. Reporting Entity (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council (MEC)

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

Tolles Career & Technical Center (TCTC)

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

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or its designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The firm of CompManagement, Inc. provides administrative, cost control and actuarial service to the GRP. Refer to Note 11.B. for further information on this group rating plan.

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

B. Fund Accounting (Continued)

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

C. Basis of Presentation and Measurement Focus (Continued)

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

D. Basis of Accounting (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, accrued interest not available and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency). The specific timetable for fiscal year 2013 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for tax rate determination. The Union County Budget Commission waived this requirement for fiscal year 2013.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

E. Budgets (Continued)

4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations included were legally enacted by the Board during fiscal year 2013.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

F. Cash and Investments

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

During fiscal year 2013, investments were limited to repurchase agreements, non-negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit and repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

F. Cash and Investments (Continued)

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$20,604 which includes \$5,883 assigned from other District funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

H. Capital Assets (Continued)

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 50 years
Buildings/improvements	20 - 75 years
Furniture/equipment	5 - 20 years
Vehicles	10 -15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental column of the statement of net position.

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

J. Compensated Absences (Continued)

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

L. Fund Balance (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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. The amount restricted for other purposes represents amounts restricted for food service and a special trust fund.

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

N. Parochial Schools

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

O. Estimates

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

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

R. Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On the government-wide financial statements, bond issuance costs are expensed during the fiscal year in which they are incurred. The District restated net position at June 30, 2012 due to the elimination of previously reported unamortized bond issuance costs as described in Note 3.A.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bond's face value and the amount reported on the statement of net position is presented in Note 10.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A. Change in Accounting Principles (Continued)

	Governmental Activities
Net assets as previously reported	\$ 8,901,974
Removal of unamortized bond issuance costs	(23,155)
Net position at July 1, 2012	\$ 8,878,819

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

Nonmajor funds	Deficit
IDEA Part-B	\$ 4,962
Title I	2,504

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At June 30, 2013, the District had \$2,245 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits, including \$62,971 of non-negotiable certificates of deposit, was \$4,497,578. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$4,261,855 of the District's bank balance of \$4,511,855 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the FDIC.

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

C. Investments

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$ 101,593</u>	<u>\$ 101,593</u>

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 101,593	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,497,578
Investments	101,593
Cash on hand	<u>2,245</u>
Total	<u>\$ 4,601,416</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,449,858
Business-type activities	38,274
Private-purpose trust fund	68,430
Agency fund	<u>44,854</u>
Total	<u>\$ 4,601,416</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2013 as reported on the fund financial statements consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 1,166</u>

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B. Interfund transfers for the fiscal year 2013 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Bond retirement fund	<u>\$ 39,789</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers made in fiscal year 2013 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Union and Madison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$675,334 in the general fund and \$90,721 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$509,987 in the general fund and \$76,032 in the bond retirement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 199,348,510	97.21	\$ 199,204,250	96.87
Public utility personal	<u>5,730,190</u>	<u>2.79</u>	<u>6,427,140</u>	<u>3.13</u>
Total	<u>\$ 205,078,700</u>	<u>100.00</u>	<u>\$ 205,631,390</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$41.40		\$40.70	
Bond	4.40		3.87	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 consisted of property taxes, income taxes, intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 5,684,575
Income taxes	962,801
Intergovernmental	61,034
Accrued interest	<u>426</u>
Business-type activities:	
Intergovernmental	<u>127</u>
Total receivables	<u>\$ 6,708,963</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 8 - INCOME TAXES

The District levies a voted income tax of 1.00%, .75% for operating and .25% for permanent improvements on the income of residents and on estates for general operations of the District. The .75% for operations was passed in November 1989 and is a continuing levy. The .25% is a five-year for permanent improvements levy passed in May 2006. The .25% permanent improvement levy was renewed during fiscal year 2011 through December 31, 2016. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund in the amount of \$968,969 and permanent improvement fund (a nonmajor governmental fund) in the amount of \$492,985 for fiscal year 2013.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance			Balance
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 80,849	\$ -	\$ -	\$ 80,849
Construction in progress	<u>491,209</u>	<u>269,581</u>	<u>(760,790)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>572,058</u>	<u>269,581</u>	<u>(760,790)</u>	<u>80,849</u>
Capital assets, being depreciated:				
Land improvements	1,179,562	425,783	-	1,605,345
Building/improvements	18,104,219	508,128	-	18,612,347
Furniture/equipment	2,021,514	85,804	(25,486)	2,081,832
Vehicles	<u>1,160,025</u>	<u>-</u>	<u>-</u>	<u>1,160,025</u>
Total capital assets, being depreciated	<u>22,465,320</u>	<u>1,019,715</u>	<u>(25,486)</u>	<u>23,459,549</u>
Less: accumulated depreciation				
Land improvements	(993,733)	(20,591)	-	(1,014,324)
Building/improvements	(3,771,359)	(317,816)	-	(4,089,175)
Furniture/equipment	(1,016,288)	(140,410)	23,671	(1,133,027)
Vehicles	<u>(773,012)</u>	<u>(46,425)</u>	<u>-</u>	<u>(819,437)</u>
Total accumulated depreciation	<u>(6,554,392)</u>	<u>(525,242)</u>	<u>23,671</u>	<u>(7,055,963)</u>
Governmental activities capital assets, net	<u>\$ 16,482,986</u>	<u>\$ 764,054</u>	<u>\$ (762,605)</u>	<u>\$ 16,484,435</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 212,182
Special	19,315
Support Services:	
Pupil	30,408
Instructional staff	41,508
Board of education	172
Administration	40,051
Fiscal	439
Operations and maintenance	75,278
Pupil transportation	54,080
Operation of non-instructional services	853
Extracurricular	47,105
Food service operations	<u>3,851</u>
Total depreciation expense	<u>\$ 525,242</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS

A. The District's governmental activities long-term obligations activity during fiscal year 2012 consisted of the following:

	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013	Amounts Due Within One Year
General obligation bonds:					
<u>Series 2006, facilities improvement</u>					
Current interest serial bonds	\$ 10,010,000	\$ -	\$ (10,010,000)	\$ -	\$ -
Capital appreciation bonds	210,062	-	-	210,062	83,813
Accreted interest	355,366	230,418	-	585,784	228,662
Total G.O. Bonds	<u>10,575,428</u>	<u>230,418</u>	<u>(10,010,000)</u>	<u>795,846</u>	<u>312,475</u>
<u>2011 Series Energy Conservation Bonds:</u>					
Current interest term bonds	570,000	-	(35,000)	535,000	35,000
Capital appreciation bonds	5,000	-	-	5,000	-
Accreted interest	1,085	2,044	-	3,129	-
Total energy conservation bonds	<u>576,085</u>	<u>2,044</u>	<u>(35,000)</u>	<u>543,129</u>	<u>35,000</u>
<u>2012 Series Refunding Issue</u>					
Current interest serial bonds	-	8,580,000	-	8,580,000	145,000
Capital appreciation bonds	-	54,994	-	54,994	-
Accreted interest	-	19,792	-	19,792	-
Total refunding issue	<u>-</u>	<u>8,654,786</u>	<u>-</u>	<u>8,654,786</u>	<u>145,000</u>
Other long-term obligations:					
Energy conservation notes	76,000	-	(37,000)	39,000	39,000
Total other long-term obligations	<u>76,000</u>	<u>-</u>	<u>(37,000)</u>	<u>39,000</u>	<u>39,000</u>
Compensated absences:					
Sick leave	503,109	63,647	(108,552)	458,204	29,764
Vacation leave	42,383	32,367	(31,022)	43,728	43,728
Total compensated absences	<u>545,492</u>	<u>96,014</u>	<u>(139,574)</u>	<u>501,932</u>	<u>73,492</u>
Total	<u>\$ 11,773,005</u>	<u>\$ 8,983,262</u>	<u>\$ (10,221,574)</u>	<u>10,534,693</u>	<u>\$ 604,967</u>
Add: unamortized premium on bonds				1,355,102	
Total on statement of net position				<u>\$ 11,889,795</u>	

Compensated absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

General obligation bonds

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

This issue was comprised of current interest bonds, present value \$10,905,000, and capital appreciation bonds, par value \$210,062. The capital appreciation bonds mature each December 1, 2013 through 2015, (stated interest 20.109%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,020,000. Total accreted interest of \$585,784 has been included on the statement of net position at June 30, 2013. During fiscal year 2013, a principal payment of \$325,000 was made prior to the remaining balance of the series 2006 current interest bonds in the amount of \$9,685,000 being refunded.

Principal and interest requirements to retire the capital appreciation bonds are as follows:

Fiscal Year Ending June 30,	Capital Appreciation Bonds		
	Principal	Interest	Total
2014	\$ 83,813	\$ 256,187	\$ 340,000
2015	69,166	270,834	340,000
2016	<u>57,083</u>	<u>282,917</u>	<u>340,000</u>
Total	<u>\$ 210,062</u>	<u>\$ 809,938</u>	<u>\$ 1,020,000</u>

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

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

Fiscal Year Ending June 30,	Principal on Notes	Interest on Notes	Total
2014	<u>\$ 39,000</u>	<u>\$ 946</u>	<u>\$ 39,946</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Energy Conservation Improvement Bonds - Series 2011

On September 27, 2011, the District issued \$570,000 in current interest term bonds and capital appreciation bonds, par value \$5,000 (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate between 1.10% and 3.6% and are scheduled to mature in fiscal year 2027. Payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement fund. The balance of these bonds at June 30, 2013 in the amount of \$535,000 has been included on the statement of net position.

The capital appreciation bonds mature December 1, 2018, (stated interest 31.174%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$40,000. Total accreted interest of \$3,129 has been included in the statement of net position at June 30, 2013.

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 35,000	\$ 13,965	\$ 48,965	\$ -	\$ -	\$ -
2015	35,000	13,580	48,580	-	-	-
2016	35,000	13,064	48,064	-	-	-
2017	40,000	12,370	52,370	-	-	-
2018	40,000	11,630	51,630	-	-	-
2019 - 2023	165,000	46,948	211,948	5,000	35,000	40,000
2024 - 2027	<u>185,000</u>	<u>13,212</u>	<u>198,212</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 535,000</u>	<u>\$ 124,769</u>	<u>\$ 659,769</u>	<u>\$ 5,000</u>	<u>\$ 35,000</u>	<u>\$ 40,000</u>

Series 2012 Refunding General Obligation Bonds

On December 27, 2012, the District issued general obligation bonds (series 2012 refunding bonds) to refund the remaining series 2006 general obligation current interest bonds in the amount of \$9,685,000. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$8,580,000, and capital appreciation bonds par value \$54,994. The interest rates on the current interest bonds range from 1.00%-3.00%. The capital appreciation bonds mature each December 1, 2015 through 2020 (stated interest rate 71.65%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,565,000. Total accreted interest of \$19,792 for series 2012 has been included on the statement of net position at June 30, 2013. Principal and interest payments are made from the bond retirement fund.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$14,278. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, as a deferred outflow of resources on the statement of net position. This refunding was undertaken to reduce the combined total debt service payments through December 1, 2034 by \$1,077,101 and resulted in an economic gain of \$830,368.

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 145,000	\$ 205,574	\$ 350,574	\$ -	\$ -	\$ -
2015	130,000	204,199	334,199	-	-	-
2016	-	203,549	203,549	21,644	108,356	130,000
2017	-	203,548	203,548	11,732	118,268	130,000
2018	-	203,549	203,549	6,360	123,640	130,000
2019 - 2023	1,035,000	997,194	2,032,194	15,258	1,159,742	1,175,000
2024 - 2028	2,780,000	772,510	3,552,510	-	-	-
2029 - 2033	3,120,000	424,841	3,544,841	-	-	-
2034 - 2035	1,370,000	41,400	1,411,400	-	-	-
Total	\$ 8,580,000	\$ 3,256,364	\$ 11,836,364	\$ 54,994	\$ 1,510,006	\$ 1,565,000

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$10,545,967 (including available funds of \$884,198) and an unvoted debt margin of \$205,631.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

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

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

The District maintains fleet insurance in the amount of \$3,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$34,296,994. Property insurance also includes \$1,000,000 additional expense coverage.

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

B. Worker's Compensation

For fiscal year 2013, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP.

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

C. Employee Medical Insurance

The District has established limited risk health, dental and life insurance programs for its employees. The District is a member of the Southwestern Ohio Educational Purchasing Council Insurance Consortium. Upon payment of the premium, the risk of loss transfers to the Consortium.

United Health, a third party administrator, services all medical claims submitted by employees. CORE Source, a third party administrator, services all dental claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$175,000.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$168,467, \$161,227 and \$159,620, respectively; 70.83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio (Continued)

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$590,102, \$600,328 and \$623,438, respectively; 83.81 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$47,556 made by the District and \$33,969 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

A. School Employees Retirement System (Continued)

Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$20,316, \$26,955 and \$39,651, respectively; 70.83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$9,516, \$9,521 and \$10,272, respectively; 70.83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$45,392, \$46,179 and \$47,957, respectively; 83.81 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While 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 is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	<u>General fund</u>
Budget basis	\$ 438,878
Net adjustment for revenue accruals	325,714
Net adjustment for expenditure accruals	86,760
Net adjustment for other sources/uses	(40,129)
Funds budgeted elsewhere *	93
Adjustment for encumbrances	<u>69,857</u>
GAAP basis	<u>\$ 881,173</u>

*Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the uniform school supplies fund, the public school support fund and the internal service rotary fund.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 16 - SET-ASIDES (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	171,064
Current year offsets	<u>(442,072)</u>
Total	<u>\$ (271,008)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u><u>\$ -</u></u>

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 33,409
Other governmental	<u>74,628</u>
Total	<u><u>\$ 108,037</u></u>



Dave Yost • Auditor of State

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

Fairbanks Local School District
Union County
11158 State Route 38
Milford Center, Ohio 43045

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis to determine our audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2014



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Fairbanks Local School District
Union County
11158 State Route 38
Milford Center, Ohio 43045

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 Fairbanks Local 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 June 24, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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
Columbus, Ohio

March 20, 2014

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Dave Yost • Auditor of State

FAIRBANKS LOCAL SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2014**