



**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fairbanks Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairbanks Local School District, Union County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

December 7, 2001

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**Fairbanks Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals	
	Special	Debt	Capital	Enterprise	Internal	Trust and	General	General	2001	
	General	Revenue	Service	Project	Service	Agency	Fixed Assets	Long Term Debt	(Memorandum)	
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 1,364,379	127,303	22,985	11,062	26,932	0	36,514	0	0	\$ 1,589,175
Restricted Asset	87,102	0	0	0	0	0	0	0	0	87,102
Investments	0	0	0	0	0	0	62,969	0	0	62,969
Taxes Receivables	4,201,922	0	0	0	0	0	0	0	0	4,201,922
Interfund Receivables	199,191	0	0	0	0	0	0	0	0	199,191
Intergovernmental Receivables	0	0	0	0	3,740	85,330	0	0	0	89,070
Accounts Receivable	11,103	1,143	0	0	0	0	0	0	0	12,246
Inventory for Resale	0	0	0	0	5,539	0	0	0	0	5,539
Net Property, Plant, and Equipment	0	0	0	0	33,946	0	0	7,095,138	0	7,129,084
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	857,668	857,668
Total Assets and Other Debits	\$ 5,863,697	128,446	22,985	11,062	70,157	85,330	99,483	7,095,138	857,668	\$ 14,233,966

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Fairbanks Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2001

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals	
	Special	Debt	Capital	Fund Type	Trust and	General	General	2001		
	Revenue	Service	Project	Enterprise	Agency	Fixed Assets	Long Term Debt	(Memorandum		
General					Internal			(Only)		
					Service					
Liabilities:										
Interfund Payables	\$ 0	0	0	0	114,861	84,330	0	0	0	\$ 199,191
Intergovernmental Payables	104,678	1,972	0	0	8,750	5,018	0	0	55,948	176,366
Accounts Payable	83,927	35,063	0	0	3,741	143	1,723	0	0	124,597
Accrued Salaries and Benefits	477,038	3,936	0	0	16,163	6,536	0	0	0	503,673
Deferred Revenue	3,585,128	0	0	0	3,360	0	0	0	0	3,588,488
Due to Others	0	0	0	0	0	0	34,791	0	0	34,791
Matured Bonds and Interest Payable	0	0	22,985	0	0	0	0	0	0	22,985
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	51,000	51,000
General Obligation Notes Payable	0	0	0	0	0	0	0	0	395,831	395,831
Capital Leases Payable	0	0	0	0	0	0	0	0	47,284	47,284
Compensated Absence Payable	3,939	0	0	0	4,590	0	0	0	307,605	316,134
Total Liabilities	4,254,710	40,971	22,985	0	151,465	96,027	36,514	0	857,668	5,460,340
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	7,095,138	0	7,095,138
Retained Earnings	0	0	0	0	(81,308)	(10,697)	0	0	0	(92,005)
Fund Balances:										
Reserved for Encumbrances	213,625	42,939	0	0	0	0	0	0	0	256,564
Reserved for Contribution	0	0	0	0	0	0	62,969	0	0	62,969
Reserved for Budget Stabilization	87,102	0	0	0	0	0	0	0	0	87,102
Reserved for Future Appropriation	292,042	0	0	0	0	0	0	0	0	292,042
Unreserved Fund Balance	1,016,218	44,536	0	11,062	0	0	0	0	0	1,071,816
Total Fund Balances	1,608,987	87,475	0	11,062	0	0	62,969	0	0	1,770,493
Total Fund Balances/Retained Earnings and Other Credits	1,608,987	87,475	0	11,062	(81,308)	(10,697)	62,969	7,095,138	0	8,773,626
Total Liabilities, Fund Equity, and Other Credits	\$ 5,863,697	128,446	22,985	11,062	70,157	85,330	99,483	7,095,138	857,668	\$ 14,233,966

See Accompanying Notes to the General Purpose Financial Statements.

Fairbanks Local School District
Combined Statement of Revenue, Expenditures, and Changes in Fund Balance
All Governmental Fund Types
Year Ended June 30, 2001

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum) (Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 4,302,832	0	48,363	0	\$ 4,351,195
Earnings on Investments	142,182	0	0	0	142,182
Extracurricular Activities	0	70,919	0	0	70,919
Miscellaneous	72,798	42,726	0	0	115,524
Revenue from Intermediate Sources					
Restricted Grants-in-Aid	0	14,552	0	0	14,552
Revenue from State Sources					
Unrestricted Grants-in-Aid	2,014,193	4,466	2	0	2,018,661
Restricted Grants-in-Aid	0	184,756	0	9,000	193,756
Revenue from Federal Sources					
Restricted Grants-in-Aid	0	111,821	0	0	111,821
Total Revenue	6,532,005	429,240	48,365	9,000	7,018,610
EXPENDITURES:					
Instruction					
Regular Instruction	2,927,723	56,863	0	19,697	3,004,283
Special Instruction	465,633	36,781	0	0	502,414
Vocational Instruction	0	6,112	0	0	6,112
Supporting Services					
Supporting Services-Pupils	180,813	31,123	0	0	211,936
Supporting Services-Instructional Staff	231,960	61,331	0	0	293,291
Supporting Services-Board of Education	56,141	0	0	0	56,141
Supporting Services-Administration	749,635	24,340	0	0	773,975
Fiscal Services	263,494	7,301	959	0	271,754
Operation & Maintenance-Plant	1,158,345	0	0	0	1,158,345
Supporting Services-Pupil	539,616	3,089	0	0	542,705
Supporting Services-Central	0	7,500	0	0	7,500
Operation of Non-Instructional Services					
Community Services	0	168,999	0	0	168,999
Extracurricular Activities					
Academic & Subject Oriented	0	400	0	0	400
Sports Oriented	98,395	62,911	0	0	161,306
Co-Curricular Activities	10,855	0	0	0	10,855
Debt Service					
Repayment of Debt	0	0	221,325	0	221,325
Total Expenditures	6,682,610	466,750	222,284	19,697	7,391,341
Excess (Deficiency) of Revenues Over (Under) Expenditures	(150,605)	(37,510)	(173,919)	(10,697)	(372,731)
Other Financing Sources and Uses:					
Other Financing Sources					
Refund of Prior Years Expenditures	15,031	0	0	0	15,031
Transfers-In	0	0	165,219	0	165,219
Other Financing Uses					
Transfers-out	(165,219)	0	0	0	(165,219)
Other Uses	50	0	0	0	50
Net Other Financing Sources and Uses	(150,138)	0	165,219	0	15,081
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursement and Other Uses	(300,743)	(37,510)	(8,700)	(10,697)	(357,650)
Beginning Fund Balance	1,909,730	124,985	8,700	21,759	2,065,174
Ending Fund Balance	\$ 1,608,987	87,475	0	11,062	\$ 1,707,524

See Accompanying Notes to the General Purpose Financial Statements.

Fairbanks Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,971,498	4,239,848	268,350	0	0	\$ 0
Earnings on Investment	160,000	133,877	(26,123)	0	0	0
Extracurricular Activities	0	0	0	73,600	69,776	(3,824)
Miscellaneous	25,500	72,798	47,298	50,800	42,725	(8,075)
Intermediate Restricted Grants-in-Aid	0	0	0	15,000	14,552	(448)
State Unrestricted Grants-in-Aid	1,969,169	2,014,193	45,024	4,466	4,466	0
State Restricted Grants-in-Aid	0	0	0	182,246	184,756	2,510
Federal Restricted Grants-in-Aid	0	0	0	111,821	111,821	0
Total Revenue	6,126,167	6,460,716	334,549	437,933	428,096	(9,837)
Expenditures:						
Regular Instruction	3,033,886	3,033,886	0	86,527	67,513	19,014
Special Instruction	477,016	477,016	0	38,334	36,717	1,617
Vocational Instruction	0	0	0	8,746	8,185	561
Support Services-Pupils	169,928	169,928	0	40,682	32,271	8,411
Support Services-Instructional Staff	263,903	263,903	0	70,842	65,683	5,159
Support Services-Board of Education	55,795	55,795	0	0	0	0
Support Services-Administration	762,483	762,483	0	29,169	25,066	4,103
Fiscal Services	261,599	261,599	0	7,301	7,301	0
Operation & Maintenance-Plant	1,267,700	1,267,700	0	0	0	0
Support Services-Transportation	538,767	537,311	1,456	3,100	3,089	11
Support Services-Central	0	0	0	7,500	7,500	0
Community Services	0	0	0	194,031	191,474	2,557
Academic & Subject Oriented	0	0	0	400	400	0
Sports Oriented	99,175	99,175	0	79,416	76,152	3,264
Co-Curricular Activities	10,782	10,782	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	6,941,034	6,939,578	1,456	566,048	521,351	44,697
Excess of Revenue Over (Under) Expenditures	(814,867)	(478,862)	336,005	(128,115)	(93,255)	34,860
Other Financing Sources (Uses):						
Sale & Loss of Assets	3,000	0	(3,000)	0	0	0
Transfers-In	0	0	0	0	0	0
Advances-In	114,171	114,171	0	0	0	0
Refund of Prior Years Expenses	0	15,031	15,031	0	0	0
Transfers-Out	(165,219)	(165,219)	0	0	0	0
Advances-Out	(199,191)	(199,191)	0	0	0	0
Refund of Prior Years Receipt	50	50	0	0	0	0
Total Other Sources (Uses)	(247,189)	(235,158)	12,031	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,062,056)	(714,020)	348,036	(128,115)	(93,255)	34,860
Beginning Fund Balance	1,684,150	1,684,150	0	106,029	106,029	0
Prior Year Carry Over Encumbrances	193,813	193,813	0	35,800	35,800	0
Ending Fund Balance	\$ 815,907	1,163,943	348,036	13,714	48,574	\$ 34,860

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Fairbanks Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2001

	Debt Service Fund			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 106,328	57,063	(49,265)	0	0	\$ 0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Intermediate Restricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	13,134	2	(13,132)	0	0	0
State Restricted Grants-in-Aid	0	0	0	0	9,000	9,000
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	119,462	57,065	(62,397)	0	9,000	9,000
Expenditures:						
Regular Instruction	0	0	0	21,759	19,697	2,062
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	2,100	959	1,141	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Repayment of Debt	221,325	221,325	0	0	0	0
Total Expenditures	223,425	222,284	1,141	21,759	19,697	2,062
Excess of Revenue Over (Under) Expenditures	(103,963)	(165,219)	(61,256)	(21,759)	(10,697)	11,062
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	103,963	165,219	61,256	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expenses	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Years Receipt	0	0	0	0	0	0
Total Other Sources (Uses)	103,963	165,219	61,256	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(21,759)	(10,697)	11,062
Beginning Fund Balance	0	0	0	21,759	21,759	0
Prior Year Carry Over Encumbrances	0	0	0	0	0	0
Ending Fund Balance	\$ 0	0	0	0	11,062	\$ 11,062

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Fairbanks Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2001

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	4,077,826	4,296,911	\$ 219,085
Earnings on Investment	160,000	133,877	(26,123)
Extracurricular Activities	73,600	69,776	(3,824)
Miscellaneous	76,300	115,523	39,223
Intermediate Restricted Grants-in-Aid	15,000	14,552	(448)
State Unrestricted Grants-in-Aid	1,986,769	2,018,661	31,892
State Restricted Grants-in-Aid	182,246	193,756	11,510
Federal Restricted Grants-in-Aid	111,821	111,821	0
Total Revenue	<u>6,683,562</u>	<u>6,954,877</u>	<u>271,315</u>
Expenditures:			
Regular Instruction	3,142,172	3,121,096	21,076
Special Instruction	515,350	513,733	1,617
Vocational Instruction	8,746	8,185	561
Support Services-Pupils	210,610	202,199	8,411
Support Services-Instructional Staff	334,745	329,586	5,159
Support Services-Board of Education	55,795	55,795	0
Support Services-Administration	791,652	787,549	4,103
Fiscal Services	271,000	269,859	1,141
Operation & Maintenance-Plant	1,267,700	1,267,700	0
Support Services-Transportation	541,867	540,400	1,467
Support Services-Central	7,500	7,500	0
Community Services	194,031	191,474	2,557
Academic & Subject Oriented	400	400	0
Sports Oriented	178,591	175,327	3,264
Co-Curricular Activities	10,782	10,782	0
Repayment of Debt	221,325	221,325	0
Total Expenditures	<u>7,752,266</u>	<u>7,702,910</u>	<u>49,356</u>
Excess of Revenue Over (Under) Expenditures	(1,068,704)	(748,033)	320,671
Other Financing Sources (Uses):			
Sale & Loss of Assets	3,000	0	(3,000)
Transfers-In	103,963	165,219	61,256
Advances-In	114,171	114,171	0
Refund of Prior Years Expenses	0	15,031	15,031
Transfers-Out	(165,219)	(165,219)	0
Advances-Out	(199,191)	(199,191)	0
Refund of Prior Years Receipt	50	50	0
Total Other Sources (Uses)	<u>(143,226)</u>	<u>(69,939)</u>	<u>73,287</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,211,930)	(817,972)	393,958
Beginning Fund Balance	1,811,938	1,811,938	0
Prior Year Carry Over Encumbrances	229,613	229,613	0
Ending Fund Balance	<u>829,621</u>	<u>1,223,579</u>	<u>\$ 393,958</u>

See Accompanying Notes to the General Purpose Financial Statements.

Fairbanks Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Fund	
Operating Revenues:				
Tuition	\$ 13,038	0	0	\$ 13,038
Transportation Fees	0	85,330	0	85,330
Food Services	203,275	0	0	203,275
Earnings on Investment	0	0	2,715	2,715
Classroom Materials and Fees	32,944	0	0	32,944
Total Operating Revenue	<u>249,257</u>	<u>85,330</u>	<u>2,715</u>	<u>337,302</u>
Operating Expenses:				
Personal Services - Salary	97,449	52,984	0	150,433
Employee Benefits	37,937	15,442	0	53,379
Purchased Services	3,949	2,551	0	6,500
Supplies and Materials	168,441	13,650	0	182,091
Other Expenses	17,852	50	3,172	21,074
Depreciation	4,457	0	0	4,457
Total Operating Expense	<u>330,085</u>	<u>84,677</u>	<u>3,172</u>	<u>417,934</u>
Operating Income (Loss)	(80,828)	653	(457)	(80,632)
Non-Operating Revenues:				
State Unrestricted Grants-In-Aid	1,109	0	0	1,109
Federal Unrestricted Grants-In-Aid	27,418	0	0	27,418
Federal Commodities	14,377	0	0	14,377
Total Non-Operating Revenue	<u>42,904</u>	<u>0</u>	<u>0</u>	<u>42,904</u>
Net Income (Loss)	(37,924)	653	(457)	(37,728)
Beginning Retained Earnings/Fund Balance, Restated	<u>(43,384)</u>	<u>(11,350)</u>	<u>63,426</u>	<u>8,692</u>
Retained Earnings/Fund Balance at End of Year	<u>\$ (81,308)</u>	<u>(10,697)</u>	<u>62,969</u>	<u>\$ (29,036)</u>

See Accompanying Notes to the General Purpose Financial Statements.

**Fairbanks Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2001**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Fund	
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ (80,828)	653	(457)	\$ (80,632)
Adjustment to Reconcile Operating Income To Net Cash used in Operating Activities:				
Depreciation	4,457	0	0	4,457
Net (Increases) Decreases in Assets:				
Intergovernmental Receivable	(3,740)	(41,496)	0	(45,236)
Accounts Receivable	1,162	0		
Inventory	(2,365)	0	0	(2,365)
Net Increases (Decreases) in Liabilities:				
Interfund Payable	44,525	40,496	0	85,021
Intergovernmental Payable	6,325	3,570	0	9,895
Accounts Payable	2,515	(1,001)	0	94,573
Accrued Salaries and Benefits	307	(2,254)	0	(1,947)
Compensated Absences Payable	(82)	(968)	0	5,253
Deferred Revenue	2,670	0	0	2,670
Net Adjustments	55,774	(1,653)	0	54,121
Net Cash Used in Operating Activities	(25,054)	(1,000)	(457)	(26,511)
Cash Flows from Noncapital Financing Activities:				
Grants from State Sources	1,109	0	0	1,109
Grants from Federal Sources	27,418	0	0	27,418
Federal Commodities	14,377	0	0	14,377
Net Cash Provided by Noncapital Financing Activities	42,904	0	0	42,904
Cash Flows from Capital Financing Activities:				
Acquisition of Assets	(19,397)	0	0	(19,397)
Net Decrease in Cash & Cash Equivalents	(1,547)	(1,000)	(457)	(3,004)
Cash and Cash Equivalents at Beginning of Year	28,479	1,000	63,426	92,905
Cash and Cash Equivalents at End of Year	\$ 26,932	0	62,969	\$ 89,901

See Accompanying Notes to General Purpose Financial Statements.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies

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

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.

Average daily membership (ADM) as of October 1, 2000, was 919. The District employed 66 certified employees and 46 non-certificated employees. The District cooperates with the Union County Educational Service Center, a separate entity, for curricular services.

The District provides regular, and special instruction. The District also provides support services for the 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.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District has no component units.

The District's reporting entity includes the following:

St John Lutheran School and St. Paul Lutheran School - Within the District's 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 special revenue funds of the District.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District or to other governmental units, on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is sixty days after year end. Grants and entitlements must also meet timing, eligibility, and contingency requirements.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2002 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this Certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is adopted at a regular board meeting later in the year. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the fund level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP basis are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types; and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. 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 Investments." During the fiscal year all investments were limited to certificates of deposit and State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments are reported at cost except for investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during the fiscal year amounted to \$142,182, which included \$7,194 assigned from other funds.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2001. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2001 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of governmental funds are stated at cost while 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. Inventories are determined by physical count. The cost of the governmental fund type inventories is recorded as an expenditure when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation.

Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale, and are expended when used.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The District has a capitalization threshold of \$500. The District does not have any infrastructure.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction of general fixed assets is not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of five to twenty years.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, and entitlements, are recorded as receivables and revenues when measurable and available, provided they meet timing, eligibility, and contingency requirements. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program
School Bus Funding
Homestead and Rollback Tax Subsidy

Capital Projects Funds

School Net Plus

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

Special Revenue Funds

Educational Management Information Systems

Non-Reimbursable Grants:

Special Revenue Funds

Auxiliary Services Grant
School Net Professional Training Grant
Data Communications Grant
Local Professional Development Grant
Career Development Grant
Extended Learning Grant
Ohio Reads Grant
Safe Schools Grant
Summer School Intervention
Eisenhower Grant
Title I
Title VI
Title VI-B
Title VI-R
Drug Free Schools
Preschool Disabilities Grant

Reimbursable Grants:

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 33% of the District's operating revenue during the 2001 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2001, the District had \$199,191 in "Interfund Receivables/Payables."

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2001 the District had no long-term interfund loans.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with twenty or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. At June 30, 2001, the District had no contributed capital.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

P. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Q. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

R. Fund Balance Reserves

The District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, contribution, budget stabilization and future appropriation. The reserve for future appropriation represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for contribution represents the amount of principal held by the District for a non-expendable trust fund.

S. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A fund balance reserve has also been established.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

T. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents. In addition, all cash and investments are also considered to be cash equivalents because they are available to the Proprietary Funds on demand.

U. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

V. Estimates

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

Note 2. Budgetary Basis of Accounting

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Project
GAAP Basis	\$ (300,743)	(37,510)	(8,700)	\$ (10,697)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(71,289)	(1,144)	8,700	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(256,968)	(54,601)	0	0
Due to Other Sources/Uses	(85,020)	0	0	0
Budget Basis	\$ (714,020)	(93,255)	0	\$ (10,697)

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 3. Accountability and Compliance

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

Note 4. Cash 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 period of designation of depositories. Inactive deposits either must be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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.

Monies held by the District which are not considered active are classified as inactive. Inactive 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 or its political subdivisions;

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 4. Cash and Investments (continued)

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty five percent of the District's interim monies available for investment at any one time.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits At fiscal year end, the carrying amount of the District's deposits was \$300,231 and the bank balance was \$475,990. All of the bank balance was covered by Federal Depository Insurance Corporation (FDIC).

Investments GASB Statement No. 3, entitled *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio an investment pool operated by the Ohio State Treasurer are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 4. Cash and Investments (continued)

	Category			Reported Amount	Fair Value
	1	2	3		
STAR Ohio		N/A		\$ 1,436,770	\$ 1,436,770
				<u>\$ 1,436,770</u>	<u>\$ 1,436,770</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,676,277	\$ 62,969
Investments:		
Certificates of Deposit	62,969	(62,969)
STAR Ohio	(1,436,770)	1,436,770
Petty Cash	(695)	
Change Cash	(1,550)	
GASB Statement No. 3	<u>\$ 300,231</u>	<u>\$ 1,436,770</u>

Note 5. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1999, an update is scheduled for 2002. The next revaluation is scheduled for 2005. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Union County Auditor usually files for an extension in sending out tax bills so payment is then due by February 14th). If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 5. Property Tax (continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually; the first payment is due April 30, with the remainder payable by September 20.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 88% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Union County Treasurer collects property tax on behalf of the District and the Union County Auditor remits the collected taxes to the District. Tax settlements are made each February and August for real property and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance; \$230,830 at June 30, 2001. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$37.30 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 9,050,070
Real Property-Residential/Agricultural	99,959,650
Real Property-Public Utilities	32,610
Personal Property-General	15,610,550
Personal Property-Public Utilities	<u>7,197,870</u>
Total Assessed Value	<u>\$ 131,850,750</u>

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 6. Receivables

Receivables at June 30, 2001 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. 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 guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

Enterprise Funds:	
Federal Reimbursement	\$ 3,740
Internal Service Funds:	
Special Transportation Reimbursement	85,330
Grand Total	\$ 89,070

Note 7. Fixed Assets

During fiscal year 2001, the District conducted a reappraisal of its fixed assets. As a result of the reappraisal, a restatement of the Proprietary Fund Fixed Assets and the General Fixed Assets Account Group June 30, 2000 balances is necessary.

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2000:

Enterprise Fund	June 30, 2000 as reported	Adjustment	June 30, 2000 as restated
Furniture and Equipment	\$ 99,715	\$ (583)	\$ 99,132
Less Accumulated Depreciation	(80,709)	19,979	(60,730)
Net Fixed Assets	\$ 19,006	\$ 19,396	\$ 38,402

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

Furniture and Equipment	\$ 99,132
Less Accumulated Depreciation	(65,186)
Net Fixed Assets	\$ 33,946

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 7. Fixed Assets (continued)

The following table restates the General Fixed Assets Account Group at June 30, 2000.

	June 30, 2000 as reported	Adjustment	June 30, 2000 as restated
Land & Land Improvements	\$ 33,758	777,615	\$ 811,373
Buildings & Bldg. Improvements	3,817,702	407,432	4,225,134
Furniture, Fixtures & Equipment	912,947	567,210	1,480,157
Vehicles	749,211	(193,151)	556,060
Total General Fixed Assets	\$ 5,513,618	1,559,106	\$ 7,072,724

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land & Land Improvements	\$ 811,373	80,849	0	\$ 892,222
Buildings & Bldg. Improvements	4,225,134	67,600	0	4,292,734
Furniture, Fixtures & Equipment	1,480,157	79,389	358,217	1,201,329
Vehicles	556,060	152,793	0	708,853
Total General Fixed Assets	\$ 7,072,724	380,631	358,217	\$ 7,095,138

There was no significant construction in progress at June 30, 2000 for District owned property.

Note 8. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 8. Defined Benefit Pension Plans (continued)

Plan members are required to contribute 9 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$162,816, \$118,344 and \$110,196, respectively; 47 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$91,161 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$406,512, \$405,384 and \$388,044, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$67,752 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Note 9. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 9. Postemployment Benefits (continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to

4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$130,665 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$123,724.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 10. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The administrators are generally granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Vacation time which is unused as of the employee's anniversary date can be carried over to a subsequent year with a maximum of three years accrual (60 days). Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 10. Compensated Absences (continued)

The classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation Days
1-9	10
10-19	15
20-beyond	20

Each employee earns sick leave at the rate of one and one-half days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees is 240 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of five consecutive years at the time of retirement. Any certified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of 240 days of all accumulated sick leave credited to that employee up to a maximum of 248 days, and any classified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to a maximum of 230 to 290 days depending upon the number of days worked in a year.

Note 11. Risk Management

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, 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 commercial carriers.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. Other liability insurance includes \$20,000 for employee liability which includes each board member. A separate liability policy is maintained for the Superintendent in the amount of \$20,000 and \$50,000 for the District Treasurer.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$13,377,700. Property insurance also includes \$250,000 additional expense coverage.

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

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 11. Risk Management (continued)

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his 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 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. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Insurance

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

CORE Source, a third party administrator, services all claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$75,000 and aggregate claims in excess of \$4,292,738.

Note 12. Notes and Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2001, is as follows:

	Balance			Balance
	July 1, 2000	Additions	Deletions	June 30, 2001
Intergovernmental Payable	\$ 52,083	55,948	52,083	\$ 55,948
General Obligation Bonds Payable	205,000	0	154,000	51,000
General Obligation Notes Payable	435,285	0	39,454	395,831
Capital Leases Payable	0	47,284	0	47,284
Compensated Absences Payable	266,559	307,605	266,559	307,605
	<u>\$ 958,927</u>	<u>410,837</u>	<u>512,096</u>	<u>\$ 857,668</u>

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 12. Notes and Long-Term Debt (continued)

All general obligation bonds outstanding, issued to provide funds for the acquisition of facilities and equipment, are general obligations of the District for which the full faith and credit of the District is pledged for repayment.

Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Notes payable are paid through tax collections.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The source payment is derived from debt tax issue proceeds.

	Interest Rate	Issue Date	Maturity Date	Balance 06/30/00	Retired	Balance 06/30/01
Asbestos Abatement Note	0.00%	03/16/87	12/31/04	\$ 31,285	(6,954)	\$ 24,331
Energy Conservation Note	6.50%	06/15/92	06/15/02	33,000	(16,500)	16,500
Energy Conservation Note	4.80%	06/01/99	12/01/13	371,000	(16,000)	355,000
Addition to Building Bond	5.30%	02/01/77	12/01/00	105,000	(105,000)	0
Bus Acquisition Bond	5.20%	06/01/97	04/15/02	100,000	(49,000)	51,000
Total				<u>\$ 640,285</u>	<u>(193,454)</u>	<u>\$ 446,831</u>

The annual maturities of the general obligation bonds and notes as of June 30, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY2002	\$ 91,452	20,604	\$ 112,056
FY2003	24,952	15,956	40,908
FY2004	25,952	15,059	41,011
FY2005 and thereafter	304,475	80,783	385,258
	<u>\$ 446,831</u>	<u>132,402</u>	<u>\$ 579,233</u>

Debt Limitation:

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt margin is \$131,851. The voted debt limit at June 30, 2001 is \$11,866,568.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 13. Interfund Transactions

At June 30, 2001, the District had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

	Receivables	Payables
General Fund	\$ 199,191	\$ 0
Enterprise Funds		114,861
Internal Service Funds	0	84,330
	<u>\$ 199,191</u>	<u>\$ 199,191</u>

Note 14. Jointly Governed Organizations

Metropolitan Educational Council (MEC) - 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 computer services to the District.

Central Ohio Joint Vocational School District (COJVS) - COJVS is a jointly governed organization of the District. The District's Board of Education appoints one member to the seven member Board of Education of COJVS. However, the financial statements of the COJVS are not included within the District's reporting entity as the District can not impose its will and there is no financial benefit, financial burden relationship or related party transactions between the District and COJVS.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 15. Segments of Enterprise Activities

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and a latchkey program.

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

	Lunchroom Fund	Uniform Supply Fund	F.E.E.D. Program	Total
Operating Revenues	\$ 203,275	32,944	13,038	\$ 249,257
Operating Expenses:				
Depreciation	(4,457)	0	0	(4,457)
Other Expenses	(274,536)	(40,817)	(10,275)	(325,628)
Total Operating Expenses	(278,993)	(40,817)	(10,275)	(330,085)
Operating Loss	(75,718)	(7,873)	2,763	(80,828)
Non Operating Revenues				
State and Federal Grants	28,527	0	0	28,527
Federal Commodities	14,377	0	0	14,377
Net Loss	<u>\$ (32,814)</u>	<u>(7,873)</u>	<u>2,763</u>	<u>\$ (37,924)</u>
Net Working Capital	<u>\$ (138,408)</u>	<u>19,202</u>	<u>3,952</u>	<u>\$(115,254)</u>
Total Assets	<u>\$ 43,225</u>	<u>22,207</u>	<u>4,725</u>	<u>\$ 70,157</u>
Total Fund Equity	<u>\$ (104,460)</u>	<u>19,202</u>	<u>3,950</u>	<u>\$ (81,308)</u>

Note 16. Contingencies

A. Grants

The District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2001.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 17. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

Note 18. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2001 there was no material effect on fund balances as a result of implementing GASB 33.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 19. Statutory Reserves

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2000	\$ 0	\$ 0	\$ 86,184	\$ 86,184
Current Year Set-Aside Requirement	144,467	144,467	918	289,852
Qualifying Disbursements	<u>(251,336)</u>	<u>(744,758)</u>	<u>0</u>	<u>(996,094)</u>
Total	<u>\$ (106,869)</u>	<u>(600,291)</u>	<u>87,102</u>	<u>\$ (620,058)</u>
Cash Balance Carried Forward to FY2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 87,102</u>	
Amount Restricted for Budget Stabilization				<u>\$ 87,102</u>
Total Restricted Assets				<u>\$ 87,102</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these amounts may be used to reduce the set-aside requirement of future years. Negative amounts, therefore, are not presented as being carried forward to the next fiscal year.

Note 20. Fund Deficits

Retained Earnings/Fund Balances at June 30, 2001, included the following individual fund deficits:

Special Revenue Funds:	
Title VI-B	(\$200)
Enterprise Funds:	
Food Service	(\$81,308)
Internal Service Funds:	
Special Transportation	(\$10,697)

The deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficits and will take the necessary steps to alleviate the deficits. The general fund is liable for any deficit and provides operating transfers when cash is required, not when accruals occur.

**Fairbanks Local School District
Union County**

**Notes to the General Purpose Financial Statements
Year Ended June 30, 2001**

Note 21 - Correction of Error

In the prior period, accounts payable amounts were overstated. As a result, net income in the prior period was understated by \$43,834 and \$70,337 for the internal service and enterprise fund types, respectively. Beginning retained earnings as of July 1, 2000 increased by \$43,834 and \$70,337 in the internal service and enterprise fund types, respectively.

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL 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 the general purpose financial statements of Fairbanks Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 7, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 7, 2001.

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

JIM PETRO
Auditor of State

December 7, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JANUARY 3, 2002**