



Mary Taylor, CPA
Auditor of State

**FAIRBORN CITY SCHOOL DISTRICT
GREENE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairborn City School District, Greene County, (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairborn City School District, Greene County, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

February 18, 2009

***Fairborn City School District
Greene County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(unaudited)***

The management's discussion and analysis of Fairborn City School District's financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- The community passed the emergency levy which generated \$1.90 million in property taxes (GAAP basis).
- The School District reduced the long term liabilities by \$0.90 million from 2007.
- General revenues accounted for \$41.78 million in revenue or 88.56 percent of all revenues. Program specific revenues in charges for services and grants and contributions accounted for \$5.40 million or 11.44 percent of \$47.17 million in total revenues.
- At the end of the current fiscal year, cash and cash equivalents of \$4.66 million accounted for 18.43 percent of total assets, excluding capital assets.
- The School District had \$46.84 million in expenses relating to governmental activities; only \$5.40 million of these expenses were offset by program specific revenues. The School District had a positive change in net assets as the District controlled expenses to only increasing 1.37 percent from 2007.
- Among major funds, the general fund had \$40.48 million in revenues and \$39.51 in expenditures. The debt service fund had a year end balance of \$0.95 million.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

Fairborn City School District
Greene County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(unaudited)

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

***Fairborn City School District
Greene County, Ohio
Management's Discussion and Analysis
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(unaudited)***

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District maintains thirty individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund and debt service fund, which are considered major funds. Data from the other twenty-eight governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15-17 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 20 of this report.

Notes to the 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. The notes to the financial statements can be found starting on page 21 of this report.

Fairborn City School District
Greene County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(unaudited)

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets from 2007 to 2008.

Table 1
Net Assets

	2007	2008	Change
Assets			
Current and Other Assets	\$20,251,815	\$25,280,241	\$5,028,426
Capital Assets, net of Accumulated depreciation	17,635,633	16,618,335	(1,017,298)
Total Assets	37,887,448	41,898,576	4,011,128
Liabilities			
Long-term Liabilities	23,674,397	22,774,668	(899,729)
Other Liabilities	17,439,917	22,015,005	4,575,088
Total Liabilities	41,114,314	44,789,673	3,675,359
Net Assets			
Invested in Capital Assets, Net of Related Debt	(2,678,543)	(2,696,080)	(17,537)
Restricted	1,270,304	2,044,737	774,433
Unrestricted	(1,818,627)	(2,239,754)	(421,127)
Total Net Assets	(\$3,226,866)	(\$2,891,097)	\$335,769

The decrease in capital assets is attributed to recognizing \$1.69 million in depreciation expense compared to very few additions during the current fiscal year. As you can see from the statement of net assets, the School District had a significant increase in current and other assets (\$5.03 million), which resulted in the School District passing of the emergency levy which resulted in the School District bringing an additional \$1.66 million in property taxes (budgetary basis) from what was generated in 2007. This increase has allowed the School District to get out of fiscal watch and concentrate of maintaining a balanced budget while reducing the \$22.77 million in long term liabilities.

Fairborn City School District
Greene County, Ohio
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(unaudited)

Table 2 compares total revenues for fiscal year 2007 to fiscal year 2008.

	2007	2008	Change
Program Revenues			
Charges for Services	\$1,389,676	\$1,328,263	(\$61,413)
Operating Grants and Contributions	4,108,137	4,066,991	(41,146)
Total Program Revenues	<u>5,497,813</u>	<u>5,395,254</u>	<u>(102,559)</u>
General Revenues			
Property Taxes	14,201,085	16,096,260	1,895,175
Income Taxes	2,218,702	3,505,546	1,286,844
Unrestricted Grants and Contributions	20,448,402	21,509,794	1,061,392
Payment in Lieu of Taxes	0	148,712	148,712
Investment Earnings	471,838	336,931	(134,907)
Miscellaneous	268,625	182,045	(86,580)
Total General Revenues	<u>37,608,652</u>	<u>41,779,288</u>	<u>4,170,636</u>
All Revenues	<u>\$43,106,465</u>	<u>\$47,174,542</u>	<u>\$4,068,077</u>

For fiscal year 2008, the School District had \$10,798 (increased from \$9,405 in 2007) in revenue per pupil ratio. This compares with the School District's \$10,722 expenditure per pupil. The School District received 45.17 percent of the Department of Education's cost to educate a child through the state funding formula. The local tax payer was responsible for contributing over 41.5 percent of the School District's total revenues for the fiscal year through property or income taxes.

The largest change was in property taxes with the community's passage of the emergency levy. The School District was able to increase property revenue significantly and get out of fiscal watch. The School District saw unrestricted grants and contributions increase despite the average daily membership dropping 62 students from 2007. The School District receives funding from the Federal Department of Defense since there is a military base located in the community.

Fairborn City School District
Greene County, Ohio
Management's Discussion and Analysis
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(unaudited)

Table 3 compares total program expenses for fiscal year 2007 with fiscal year 2008.

Table 3
Total Program Expense

	2007	2008	Change
Program Expenses			
<i>Instruction</i>			
Regular	\$19,684,944	\$18,858,206	(\$826,738)
Special	5,434,523	5,963,581	529,058
Vocational	131	0	(131)
Other	2,848,141	2,633,687	(214,454)
<i>Support Services:</i>			
Pupils	2,430,921	2,628,819	197,898
Instructional Staff	2,117,220	2,225,863	108,643
Board of Education	100,010	55,466	(44,544)
Administration	2,842,651	3,094,280	251,629
Fiscal	809,520	837,617	28,097
Business	226,369	284,255	57,886
Operation and Maintenance of Plant	3,419,228	3,757,405	338,177
Pupil Transportation	2,456,688	2,598,453	141,765
Central	421,311	524,410	103,099
Operation on Non-Instructional Services	183,117	123,925	(59,192)
Food Service	1,403,278	1,600,064	196,786
Extracurricular Activities	853,214	772,539	(80,675)
Interest and Fiscal Charges	975,421	880,203	(95,218)
Total Expenses	<u>46,206,687</u>	<u>46,838,773</u>	<u>632,086</u>
Change in Net Assets	<u>(3,100,222)</u>	<u>335,769</u>	<u>\$3,435,991</u>
Ending Net Assets	<u>(\$3,226,866)</u>	<u>(\$2,891,097)</u>	

With the passage of the emergency levy, the School District was able to bring back some services that were eliminated due to budget restrictions. The largest increase was in need for special instruction as evidence by the \$529,058 more in 2008. The School District still monitors expenses to operate efficiently.

*Fairborn City School District
Greene County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(unaudited)*

The Major Funds

The School District's major funds start on page 15. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the School District. The major funds account for 89.09% of the \$47.13 million in total revenue and 88.32% percent of the \$46.76 million in total expenditures. The general fund and debt service fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues were more than expenditures in both the general fund and debt service fund creating year end fund balances of \$0.04 million and \$0.95 million, respectively.

The general fund recognized a \$0.58 million change in fund balance for the fiscal year as School District expended the majority of the monies on personnel costs related to salaries and benefits but generating a positive cash flow thanks to the increase in property taxes from the community's passage of the emergency levy. The general fund spent 70.54 percent of those expenditures in instructional and related support services (pupils and instructional staff) for the direct benefit of the students.

The debt service fund accounted for an increase of \$0.02 million in fund balance resulting in an ending fund balance of \$0.95 million. The School District received \$1.35 million in property taxes related to the bond levy during the year.

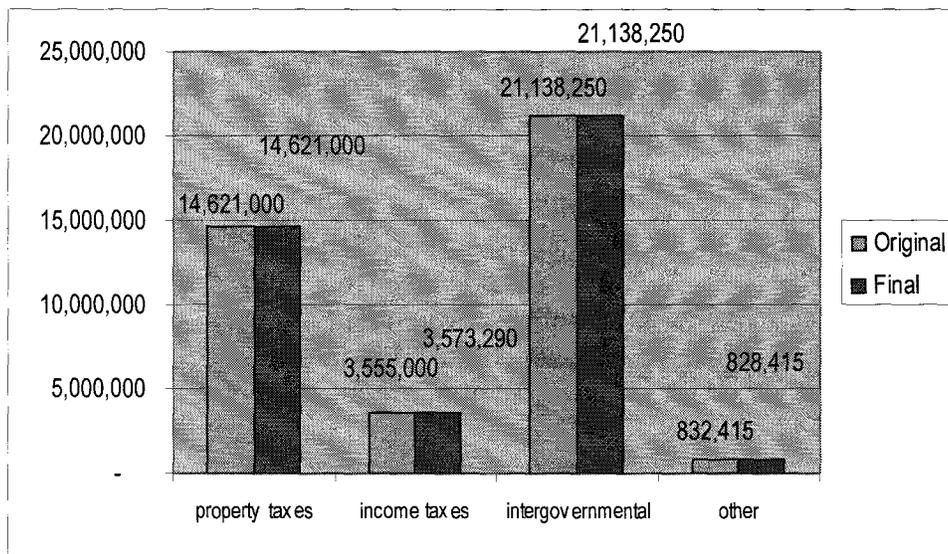
The School District's nonmajor funds consist of the grant funds and certain operational units, such as, food services, School District athletics or school supplies. For the nonmajor revenue, the grant monies make up over 78 percent of the amount with 12 percent of the revenue derived from the lunchroom operations. Those nonmajor funds, as a group, saw a reduction in their fund balance by \$0.23 million.

**Fairborn City School District
Greene County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(unaudited)**

General Fund Budgetary

Graph 1 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2008.

*Graph 1
Original Budget versus Final Budget for General Fund Revenues*



The School District had a total increase of \$14,290 from original to final budgets for revenues as the School District worked throughout the year to maintain a strong fiscal management policy.

Table 4 examines the major changes from the original to the final general fund expenditures budget for the fiscal year ended June 30, 2008. The School District was very detailed in the original budget figures but saw the need to reduce the final budget based on controlling support service costs.

*Table 4
Original to Final Budget for Expenditures*

	Original	Final	Change
Instruction	\$24,448,509	\$24,790,153	\$341,644
Support Services	15,503,400	16,208,503	705,103
Other	601,750	614,250	12,500

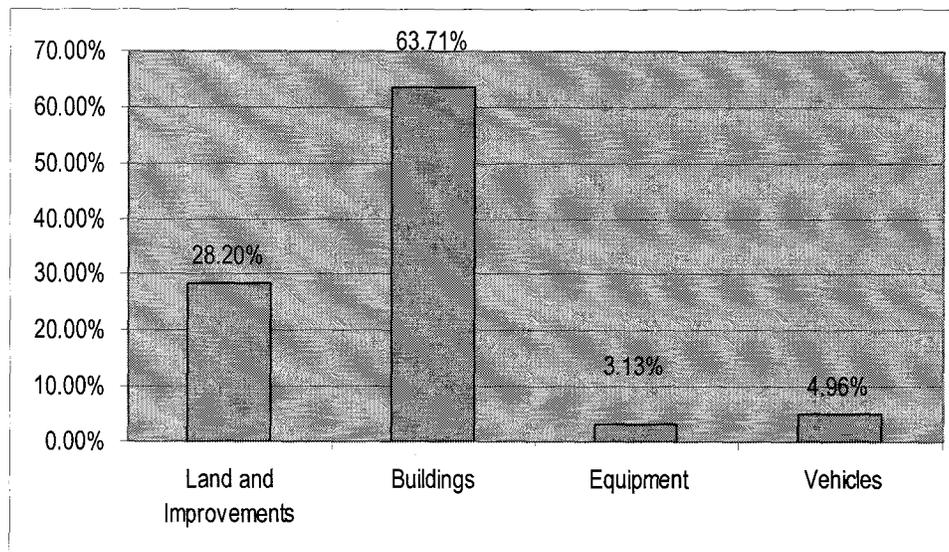
**Fairborn City School District
Greene County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(unaudited)**

For comparison of actual amounts to final budgets, School District was able to project within \$0.03 million for revenues and reduce the actual expenditures by \$1.87 million from the budgeted amount. The slight difference in revenues can be attributed to the timing requirements in which the School District is required to complete the final budget documents. The largest variance in the expenditures resulted from the School District not expending all the funds expected for changes to the student transportation and not having to update as many maintenance items as originally anticipated.

Capital Assets

At the end of the fiscal year, the School District had \$16.62 million invested in land, buildings and improvements, furniture and equipment, and vehicles less accumulated depreciation. The School District expended fewer dollars on other capital assets during the year except for the purchase of several buses. For more information on the amounts that make up the School District's capital assets and related accumulated depreciation review Note 8 to the basic financial statements. Graph 2 shows the breakdown of the individual classes for net capital assets:

*Graph 2
Percentage of Book Value Capital Assets by Class*



Fairborn City School District
Greene County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(unaudited)

Debt Administration

The School District retired \$0.79 million of the general obligation bonds and energy conservation notes during the fiscal year. The School District retired \$0.03 million of capital lease obligations for copier and printer equipment during the year. The School District's overall legal debt margin was \$39,943,933.

For more information on the School District's long term debt obligations review Note 14 to the basic financial statements.

Other items impacting the financial strength of the School District

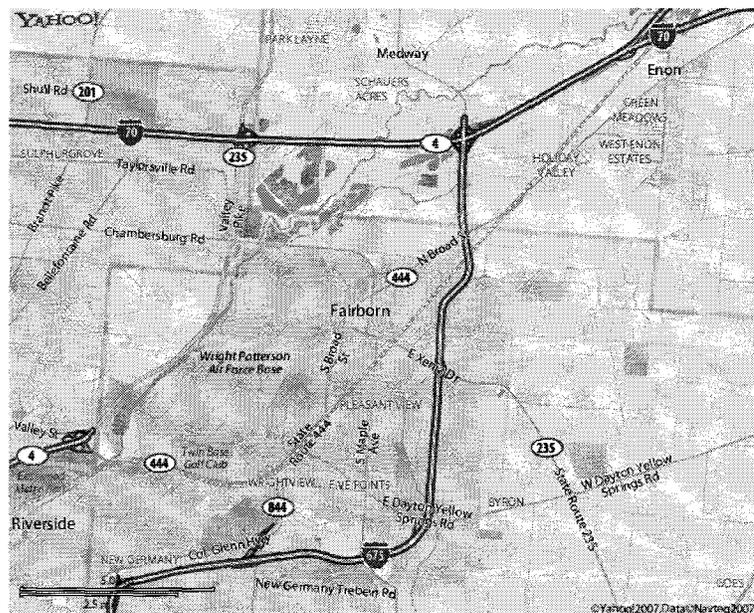
The School District is located along a stretch of Interstate 675 that is seeing expansion and development towards the southern end of the District. This development should continue to move north and increase property values in the District. Although the School District continues to see the enrollment decline by 62 students from 2007 to 2008, the income tax revenue, in place since 1990, increased over \$610,000 (budgetary basis) from last year.

The School District saw a decrease in the net assets during the year with the depreciation of capital assets; however, with continued income tax revenue growth and the community's support, the School District's financial condition has improved over the prior year and should continue to do so.

Request for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, Fairborn City Schools, 306 E. Whittier Ave., Fairborn, Ohio 45324.

Treasurer
Fairborn City School District



Fairborn City School District
Greene County, Ohio
Statement of Net Assets
June 30, 2008

	Primary Government Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents and Investments	\$4,658,514
Receivables:	
Property Taxes	17,173,660
Income Taxes	1,583,015
Payments in Lieu of Taxes	148,712
Accounts	132,768
Accrued Interest Receivable	20,300
Intergovernmental	579,800
Materials and Supplies Inventory	31,563
Prepaid Items	47,412
Issuance Costs	198,803
Restricted Cash and Cash Equivalents	705,694
Nondepreciable Capital Assets	299,675
Depreciable Capital Assets	16,318,660
Total Assets	41,898,576
 <u>Liabilities</u>	
Payables:	
Accounts	373,574
Intergovernmental	1,242,787
Interest	72,937
Salaries and Employee Benefits	4,079,214
Unearned Revenue	16,246,493
Noncurrent Liabilities:	
Due within one year	1,491,446
Due in more than one year	21,283,222
Total Liabilities	44,789,673
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	(2,696,080)
Restricted for:	
Debt Service	949,579
Grants	89,282
State Mandates	705,694
Permanent Fund	212,138
Capital Improvements	88,044
Unrestricted	(2,239,754)
Total Net Assets	(\$2,891,097)

See accompanying notes to the basic financial statements

Fairborn City School District
Greene County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2008

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$18,858,206	\$490,513	\$167,622	(\$18,200,071)
Special	5,963,581	0	1,579,521	(4,384,060)
Other	2,633,687	0	0	(2,633,687)
Support Services:				
Pupils	2,628,819	0	31,439	(2,597,380)
Instructional Staff	2,225,863	0	798,350	(1,427,513)
Board of Education	55,466	0	0	(55,466)
Administration	3,094,280	21,394	120,917	(2,951,969)
Fiscal	837,617	0	0	(837,617)
Business	284,255	0	0	(284,255)
Operation and Maintenance of Plant	3,757,405	0	0	(3,757,405)
Pupil Transportation	2,598,453	0	0	(2,598,453)
Central	524,410	0	27,582	(496,828)
Operation of Non-Instructional Services	123,925	0	411,183	287,258
Food Service	1,600,064	632,768	922,144	(45,152)
Extracurricular Activities	772,539	183,588	8,233	(580,718)
Interest and Fiscal Charges	880,203	0	0	(880,203)
Total Primary Government	\$46,838,773	\$1,328,263	\$4,066,991	(41,443,519)

General Revenues:	
Property Taxes	16,096,260
Payment in Lieu of Taxes	148,712
Income taxes	3,505,546
Grants and Contributions not restricted to specific programs	21,509,794
Unrestricted investment earnings	336,931
Miscellaneous	182,045
Total General Revenues	41,779,288
Changes in Net Assets	335,769
Net Assets-Beginning (Restated)	(3,226,866)
Net Assets-Ending	(\$2,891,097)

See accompanying notes to the basic financial statements

Fairborn City School District
Greene County, Ohio
Balance Sheet - Governmental Funds
June 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents and Investments	\$2,105,764	\$882,180	\$1,670,570	\$4,658,514
Receivables:				
Property and Other Taxes	15,856,848	1,316,812	0	17,173,660
Income Taxes	1,583,015	0	0	1,583,015
Payments in Lieu of Taxes	148,712	0	0	148,712
Accounts	115,908	0	16,860	132,768
Interfund	15,750	0	0	15,750
Accrued Interest	20,300	0	0	20,300
Intergovernmental	170,288	0	409,512	579,800
Prepaid Items	45,608	0	1,804	47,412
Materials and Supplies Inventory	8,596	0	22,967	31,563
Restricted Assets:				
Cash and Cash Equivalents	705,694	0	0	705,694
Total Assets	\$20,776,483	\$2,198,992	\$2,121,713	\$25,097,188
Liabilities and Fund Balances				
Liabilities				
Payables:				
Accounts	\$289,759	\$0	\$83,815	\$373,574
Due to Local Governments	1,068,157	0	174,630	1,242,787
Salaries and Employee Benefits	3,651,730	0	427,484	4,079,214
Interfund	0	0	15,750	15,750
Matured Leave Payable	160,945	0	0	160,945
Deferred Revenue	15,561,794	1,249,413	38,935	16,850,142
Total Liabilities	20,732,385	1,249,413	740,614	22,722,412
Fund Balances:				
Reserved for:				
Encumbrances	289,616	0	57,838	347,454
Inventory	8,596	0	22,967	31,563
Property Taxes	760,265	67,399	0	827,664
Textbooks and Instructional Materials	705,694	0	0	705,694
Unreserved, reported in:				
General	(1,720,073)	0	0	(1,720,073)
Debt Service	0	882,180	0	882,180
Special Revenue	0	0	1,000,112	1,000,112
Capital Projects	0	0	88,044	88,044
Permanent Fund	0	0	212,138	212,138
Total Fund Balances	44,098	949,579	1,381,099	2,374,776
Total Liabilities and Fund Balances	\$20,776,483	\$2,198,992	\$2,121,713	\$25,097,188

See accompanying notes to the basic financial statements

Fairborn City School District
Greene County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net asset of Governmental Activities
June 30, 2008

Total Governmental Fund Balances	\$2,374,776
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,618,335
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	603,649
Bond issuance costs are amortized over the life of the bonds and are not reported in the funds.	198,803
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(22,686,660)</u>
Net Assets of Governmental Activities	<u><u>(\$2,891,097)</u></u>

Fairborn City School District
Greene County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Debt Services	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$14,886,654	\$1,353,964	\$0	\$16,240,618
Income Taxes	3,446,917	0	0	3,446,917
Payment in Lieu of Taxes	148,712	0	0	148,712
Intergovernmental	21,286,893	154,477	4,058,178	25,499,548
Charges for Services	99,248	0	631,103	730,351
Tuition and Fees	185,973	0	146,425	332,398
Interest	284,667	0	52,264	336,931
Rent	21,394	0	0	21,394
Gifts and Donations	0	0	18,342	18,342
Extracurricular Activities	63,507	0	178,253	241,760
Miscellaneous	51,764	0	57,515	109,279
Total Revenues	40,475,729	1,508,441	5,142,080	47,126,250
Expenditures:				
Current:				
Instruction:				
Regular	17,369,163	0	468,657	17,837,820
Special	4,278,962	0	1,685,506	5,964,468
Other	2,368,706	0	257,466	2,626,172
Support Services:				
Pupils	2,486,231	0	108,076	2,594,307
Instructional Staff	1,368,050	0	810,081	2,178,131
Board of Education	55,466	0	0	55,466
Administration	2,836,945	0	116,375	2,953,320
Fiscal	806,620	23,630	0	830,250
Business	285,206	0	0	285,206
Operation and Maintenance of Plant	3,700,588	0	7,256	3,707,844
Pupil Transportation	2,930,478	0	577	2,931,055
Central	423,090	0	103,756	526,846
Operation of Non-Instructional Services	0	0	1,720,134	1,720,134
Extracurricular Activities	567,261	0	126,924	694,185
Capital Outlay	0	0	55,915	55,915
Debt Service:				
Principal Retirement	29,635	895,000	0	924,635
Interest and Fiscal Charges	3,694	867,044	0	870,738
Total Expenditures	39,510,095	1,785,674	5,460,723	46,756,492
Deficiency of Revenues				
Under Expenditures	965,634	(277,233)	(318,643)	369,758
Other Financing Sources (Uses):				
Sale of Capital Assets	480	0	0	480
Transfers - In	0	300,000	89,000	389,000
Transfers - Out	(389,000)	0	0	(389,000)
Total Other Financing Sources (Uses)	(388,520)	300,000	89,000	480
Net Change in Fund Balances	577,114	22,767	(229,643)	370,238
Fund Balances - beginning	(532,295)	926,812	1,599,035	1,993,552
Decrease in Inventory	(721)	0	11,707	10,986
Fund Balances - ending	\$44,098	\$949,579	\$1,381,099	\$2,374,776

See accompanying notes to the basic financial statements

Fairborn City School District
Greene 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, 2008

Net Change in Governmental Fund Balances	\$370,238
Amounts reported in 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 and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,017,298)
Repayment of long-term obligations is reported as an expenditure in governmental funds, then the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:	999,761
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(15,848)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.	<u>(1,084)</u>
Change in net assets of governmental activities	<u><u>\$335,769</u></u>

Fairborn City School District
Greene County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$14,621,000	\$14,621,000	\$14,419,214	(\$201,786)
Income Taxes	3,555,000	3,573,290	3,720,712	147,422
Intergovernmental	21,138,250	21,138,250	21,189,443	51,193
Tuition and Fees	220,350	220,350	167,330	(53,020)
Interest	367,000	367,000	255,881	(111,119)
Rent	25,000	25,000	21,394	(3,606)
Extracurricular Activities	59,100	59,100	63,507	4,407
Charges for Services	300	300	99,248	98,948
Payment in Lieu of Taxes	0	0	148,712	148,712
Gifts and Donations	1,000	1,000	0	(1,000)
Miscellaneous	159,665	155,665	108,758	(46,907)
Total Revenues	40,146,665	40,160,955	40,194,199	33,244
Expenditures:				
Current:				
Instruction:				
Regular	17,918,488	17,873,562	17,575,439	298,123
Special	4,269,853	4,535,218	4,261,118	274,100
Vocational	1,318	1,318	0	1,318
Other	2,258,850	2,380,055	2,373,101	6,954
Support Services:				
Pupils	2,582,178	2,657,313	2,526,207	131,106
Instructional Staff	1,200,905	1,375,427	1,355,077	20,350
Board of Education	124,289	124,289	56,516	67,773
Administration	2,984,155	3,020,261	2,845,722	174,539
Fiscal	836,235	859,235	828,798	30,437
Business	271,012	309,012	293,147	15,865
Operation and Maintenance of Plant	4,007,630	4,049,970	3,691,169	358,801
Pupil Transportation	2,960,486	3,271,486	2,910,021	361,465
Central	536,510	541,510	440,942	100,568
Extracurricular Activities	601,750	614,250	583,214	31,036
Total Expenditures	40,553,659	41,612,906	39,740,471	1,872,435
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(406,994)	(1,451,951)	453,728	1,905,679
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	3,500	3,500	480	(3,020)
Refund of Prior Year Expenditures	25,000	25,000	12,314	(12,686)
Insurance Recoveries	0	0	364	364
Advances In	55,500	55,500	55,500	0
Advances Out	0	(15,750)	(15,750)	0
Transfers In	1,520,922	1,520,922	1,520,922	0
Transfers Out	(1,904,922)	(1,909,922)	(1,909,922)	0
Total Other Financing Sources (Uses)	(300,000)	(320,750)	(336,092)	(15,342)
Net Change in Fund Balance	(706,994)	(1,772,701)	117,636	1,890,337
Fund Balances at Beginning of Year	1,304,345	1,304,345	1,304,345	0
Prior Year Encumbrances Appropriated	824,131	824,131	824,131	0
Fund Balance at End of Year	\$1,421,482	\$355,775	\$2,246,112	\$1,890,337

See accompanying notes to the basic financial statements

**Fairborn City School District
Greene County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$148,485</u>
Total Assets	<u>148,485</u>
<u>Liabilities</u>	
Due to Students	<u>148,485</u>
Total Liabilities	<u>\$148,485</u>

See accompanying notes to the basic financial statements

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity

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

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

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (continued)

The School District is associated with five jointly governed organizations and one public entity risk pool. These organizations include the Southwestern Ohio Educational Purchasing Council, Miami Valley Special Education Regional Resource Center, Southwestern Ohio Instructional Technology Association, Greene County Career Center, Metropolitan Dayton Educational Cooperative Association, and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 of the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and fund financial statements:

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

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

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

Fund Accounting

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

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The School District reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the retirement of specific general governmental short and long term obligations. All revenues derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid in this fund. For 2008, this fund does not meet the requirements of the major fund test but the School District has elected to present it as a major fund since it is critical to show the activity of this fund separately.

Additionally, the School District reports the following fund type:

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

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process:

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

Tax Budget:

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

Estimated Resources:

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

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

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

Lapsing of Appropriations:

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

Cash and Cash Equivalents

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

During fiscal year 2008, investments were limited to funds invested in federal mortgage backed agencies securities, United States treasury obligations, money market mutual funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2008.

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, during fiscal year 2008 amounted to \$284,667, \$147,859 was assigned from other funds. The lunchroom, special trust, district managed activities, auxiliary services (special revenue funds), building capital projects fund and permanent fund also received interest of \$29,789; \$706; \$3,475; \$1,475; \$8,445 and \$8,374 respectively.

Inventory

Inventories of governmental funds and governmental activities are stated at cost which is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Capital Assets and Depreciation

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

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

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Interfund Assets/Liabilities

Short-term interfund loans are classified as "inter-fund receivables" and "inter-fund payables." These amounts are eliminated on the statement of net assets within the consolidated columns.

Compensated Absences

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

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

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

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued Liabilities and Long-term Obligations

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchase funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Reserves and Designations

The School District records reservations for those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes and textbooks and instructional materials. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Exchange/Non-Exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6.)

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

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.

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$22,686,660) difference are as follows:

Capital Lease Payable	(\$27,036)
Long Term Debt Payable	(17,859,987)
General Obligation Bonds - Premium	(1,427,392)
Accrued Interest Payable	(72,937)
Compensated Absences	<u>(3,299,308)</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at	<u><u>(\$22,686,660)</u></u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$16,618,335 difference are as follows:

Capital Assets	\$44,409,990
Accumulated Depreciation	<u>(27,791,655)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$16,618,335</u></u>

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

An element of that reconciliation states that "Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds." The details of this (\$1,084) are as follows:

Change in Leave Balances	\$8,381
Net interest accrual on Long Term Debt	998
Amount amortized on Bonds Issuance Costs	(10,463)
	(10,463)
Net Adjustment - current financial resources focus to reduce <i>fund balance</i> - <i>total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$1,084)
	(\$1,084)

Another element of that reconciliation states that "Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense." The details of this (\$1,017,298) are as follows:

Current capital additions	\$680,016
Capital deletions	(281,960)
Accumulated depreciation removed	281,960
Depreciation Expense	(1,697,314)
	(1,697,314)
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$1,017,298)
	(\$1,017,298)

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For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Another element of that reconciliation states that "Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduce the long-term liabilities in the statement of net assets." The details of this \$999,761 are as follows:

Principal reduction on capital lease	\$29,635
Principal reduction on debt	895,000
Net change on general obligation bond premium	75,126
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$999,761

NOTE 3 - ACCOUNTABILITY

At June 30, 2008, the following funds had deficit fund balances:

Fund	Amount
Non-Major Governmental Funds	
Title VI-B Grant	\$31,803
Title I Grant	15,025

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

NOTE 4 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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NOTE 4 - BUDGET TO GAAP RECONCILIATION (continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

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

GAAP Basis	\$577,114
Adjustments:	
Revenue Accrual	(281,166)
Expenditure Accrual	302,659
Encumbrances	(520,721)
Advances	39,750
Budget Basis	\$117,636

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Fairborn City School District
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NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

Protection of the School 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 money deposited with the institution.

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. Interim deposits in duly authorized depositories of the School District, provided those deposits are properly insured or collateralized as required by law;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Fairborn City School District
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NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. 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; and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the 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 School 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "*Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements.*"

Deposits At year end, the bank balance was \$1,931,918:

1. \$111,888 was covered by federal depository insurance; and
2. \$1,820,030 was covered by pooled collateral held by the institution in the School District's name.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. 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 School District's name. The money market mutual funds are classified investments since they are not evidenced by securities that exist in physical or book entry form.

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investment Type:	Fair Value	Maturity	
		Less than OneYear	1-5 Years
Federal Home Loan Bank Agencies	\$504,635	\$0	\$504,635
U.S Treasury Notes	2,094,326	0	2,094,326
STAR Ohio	1,508,903	1,508,903	0
Money Market Fund	27,120	27,120	0
	<u>\$4,134,984</u>	<u>\$1,536,023</u>	<u>\$2,598,961</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to decline in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The School District has investments in Star Ohio, U.S. Treasury Notes, and Federal Home Loan Bank U.S. agency note. Below are the credit ratings of the School District's investments:

Security	Rating Agency	
	Moody's	Standard & Poor's
Star Ohio	Aaa	AAA
U.S. Treasury Notes	Aaa	AAA
Federal Home Loan Bank Agencies	Aaa	AAA

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The School District's investment policy allows investments in Federal Agencies or Instrumentalities. Star Ohio comprised of 36% of the School District's investments, U.S. Treasury Notes comprised 51% of the School District's investments, Federal Home Loan Bank Notes comprised 12% of the School District's investments, and Money Market fund comprises 1% of the School District's investments.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are secured.

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2008 for real and public utility property taxes represents collections of calendar 2007 taxes. Property tax payments received during calendar 2008 for tangible personal property (other than public utility property) is for calendar 2008 taxes.

2008 real property taxes are levied after April 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after April 1, 2008, and are collected in 2008 with real property taxes.

2008 tangible personal property taxes are levied after April 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent and will be reduced to zero for 2009.

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$580,847,560	93.11%	\$587,998,830	94.69%
Public Utility Personal	18,559,220	2.98	14,565,610	2.35
Tangible Personal Property	24,411,963	3.91	18,428,237	2.96
Total Assessed Value	<u>\$623,818,743</u>	<u>100.00%</u>	<u>\$620,992,677</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.65		\$55.95	

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES (continued)

The School District receives property taxes from Greene, Montgomery, and Clark Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Fairborn City School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2008, was \$760,265 in the general fund and \$67,399 in the debt service fund, respectively.

NOTE 7 – RECEIVABLES

Receivables at June 30, 2008 consisted of property taxes, income taxes, payment in lieu of taxes, interfund, accrued interest, accounts (rent, tuition, and student fees), and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Fund Description</u>	<u>Amounts</u>
General Fund	
AFJROTC	\$4,606
Department of Defense	165,682
Total General Fund	<u>170,288</u>
Nonmajor Governmental Funds:	
Food Service	512
Public Preschool Grant	18,684
Miscellaneous State Grants	400
Title VI-B Grant	171,981
Title I Grant	147,678
Title VI Grant	505
Preschool Grant	13,413
Reducing Class Size Grant	41,490
Miscellaneous Federal Grants	14,849
Total Nonmajor Governmental Funds	<u>409,512</u>
Total	<u>\$579,800</u>

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
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NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 07/01/07	Increases	Decreases	Balance 6/30/08
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$299,675	\$0	\$0	\$299,675
Capital Assets, being depreciated				
Land Improvements	7,490,760	0	0	7,490,760
Buildings and Improvements	27,922,579	0	0	27,922,579
Furniture and Equipment	4,401,832	99,931	0	4,501,763
Vehicles	3,897,088	580,085	(281,960)	4,195,213
Total at Historical Cost	<u>44,011,934</u>	<u>680,016</u>	<u>(281,960)</u>	<u>44,409,990</u>
Accumulated Depreciation				
Land Improvements	(2,759,074)	(344,190)	0	(3,103,264)
Buildings and Improvements	(16,578,332)	(756,976)	0	(17,335,308)
Furniture and Equipment	(3,602,871)	(378,753)	0	(3,981,624)
Vehicles	(3,436,024)	(217,395)	281,960	(3,371,459)
Total Accumulated Depreciation	<u>(26,376,301)</u>	<u>(1,697,314)</u>	<u>281,960</u>	<u>(27,791,655)</u>
Governmental Activities				
Capital Assets, Net	<u>\$17,635,633</u>	<u>(\$1,017,298)</u>	<u>\$0</u>	<u>\$16,618,335</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,227,308
Support Services:	
Instructional Staff	24,635
Administration	84,700
Business	3,528
Operation and Maintenance of Plant	10,174
Pupil Transportation	243,227
Central	2,015
Food Services	16,276
Extracurricular Activities	85,451
Total Depreciation Expense	<u>\$1,697,314</u>

Fairborn City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2008, the School District carried property and general liability insurance and boiler and machinery insurance.

Professional liability is protected by the Indiana Insurance Company, with \$1,000,000 each occurrence, and \$2,000,000 in annual aggregate limit. An additional "umbrella" policy has \$4,000,000 per occurrence and \$4,000,000 aggregate limit.

The School District contracted with Indiana Insurance Company for building and property insurance. Commercial property is insured at a limit of \$93,461,380 with a \$10,000 deductible on everything except computers, which have a \$1,000 deductible.

Automobile liability is also covered by Indiana Insurance Company for replacement cost with a \$250 comprehensive deductible, \$500 collision deductible, and combined single limit each accident of \$100,000.

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

NOTE 10 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$535,739, \$576,829 and \$710,234 respectively; 49.04 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

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

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

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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 School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,603,873, \$2,560,062 and \$2,629,747 respectively; 83.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$68,761 made by the School District and \$97,180 made by the plan members.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$87,787.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$332,262, \$260,725, and \$245,326 respectively; 49.04 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2008 (first year required disclosure) was \$38,601, 49.04 percent has been contributed for fiscal year 2008.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$200,298, \$196,928, and \$187,839 respectively; 83.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Fairborn City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

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

Life Insurance

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

Employee Medical/Dental Benefits

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

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capitalized leases for copy machines. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund. These expenditures are reported as function expenditures on the budgetary statements.

Fairborn City School District
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For the Fiscal Year Ended June 30, 2008

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

Capital assets consisting of copiers have been capitalized on the statement of net assets for governmental activities in the amount of \$135,950. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets. Principal payments in fiscal year 2008 totaled \$29,635 in the governmental activities. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30,	Governmental
2009	27,835
Less: Amount Representing Interest	(799)
Present Value of Net Minimum Lease Payments	\$27,036

NOTE 14 - LONG TERM DEBT

Debt obligations of the School District at June 30, 2008, consisted of the following:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amount Due within One Year
General Improvement Bonds 4.4 – 6.4%	\$2,215,000	\$0	\$515,000	\$1,700,000	\$540,000
General Improvement Bonds Refunded 4 – 5.25%	15,199,987	0	125,000	15,074,987	130,000
General Improvement Bond Premium	1,502,518	0	75,127	1,427,391	75,126
Energy Conservation Improvement Bonds 3.5-4.6%	1,105,000	0	140,000	965,000	145,000
School Bus Acquisition Bond 3.45 – 4.3%	235,000	0	115,000	120,000	120,000
Compensated Absences	3,360,221	1,742,477	1,642,444	3,460,254	454,284
Capital Lease	56,671	0	29,635	27,036	27,036
Total Long Term Obligations	\$23,674,397	\$1,742,477	\$2,642,206	\$22,774,668	\$1,491,446

General improvement bonds issued August 1, 2000, with a variable interest rate of 4.4 – 6.40% to be paid from the debt service fund with the final maturity being during fiscal year 2027. In May 2006, these bonds were partially refunded and now have a variable interest rate of 4.0% to 5.25% with a final maturity date of 12/1/2026. A significant savings will be seen by the School District with this refunded issue.

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

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 - LONG TERM DEBT (continued)

School Bus Acquisition bonds were issued December 30, 1998, at a variable interest rate of 3.45 - 4.3% for the purpose of purchasing school buses. The notes were issued for a ten year period with a final maturity during fiscal year 2009.

All debt issues will be retired from the Debt Service Fund. The School District's overall legal debt margin was \$39,943,933, the energy conservation loan debt margin was \$4,623,934 with an unvoted debt margin of \$620,993 at June 30, 2008.

The annual requirements to amortize all debt outstanding as of June 30, 2008 are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 935,000	\$ 828,764	\$ 1,763,764
2010	850,000	787,866	1,637,866
2011	890,000	747,177	1,637,177
2012	935,000	719,650	1,654,650
2013	965,000	681,228	1,646,228
2014-2018	2,889,987	4,643,159	7,533,146
2019-2023	5,200,000	2,105,350	7,305,350
2024-2027	5,195,000	665,250	5,860,250
Total	<u>\$17,859,987</u>	<u>\$11,178,444</u>	<u>\$29,038,431</u>

NOTE 15 - INTERFUND BALANCE/TRANSFERS

Interfund balances at June 30, 2008, consist of the following individual receivables and payables:

	Transfers In	Transfers Out	Interfund Receivable	Interfund Payable
Major Funds				
General	\$0	\$389,000	\$15,750	\$0
Debt Service	300,000	0	0	0
Non-Major Governmental				
Special Revenue Funds	89,000	0	0	15,750
Total	<u>\$389,000</u>	<u>\$389,000</u>	<u>\$15,750</u>	<u>\$15,750</u>

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 15 - INTERFUND BALANCE/TRANSFERS

The interfund activity from the general fund to the others funds were to cover timing differences in the various grants funds and balances in the debt service fund. The School District expects to receive the grant monies within one year and advances will be repaid to the general fund.

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2007	\$484,272	\$0
Current Year Set-aside Requirement	673,364	673,364
Qualifying Disbursements	(451,942)	0
Offsets	0	(673,364)
Total	\$705,694	0
Set-aside Cash Balance carried forward	\$705,694	\$0

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Council (SOEPC)

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 Districts in 12 counties. The purpose of the council is to obtain reduced prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

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

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Miami Valley Special Education Regional Resource Center

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

Southwestern Ohio Instructional Technology Association (SOITA)

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

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

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

Greene County Career Center

The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating Districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, Judy Geers, who serves as Treasurer, at 2960 W. Enon Rd., Xenia, OH 45385.

Fairborn City School District
Greene County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Metropolitan Dayton Educational Cooperative Association

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

The governing board of MDECA consists of seven Superintendents of member Districts, with six of the Superintendents elected by majority vote of all member Districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

NOTE 18 - INSURANCE PURCHASING POOL

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

NOTE 19 - CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008

Fairborn City School District
 Greene County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2008

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLES

For 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

NOTE 21 – FISCAL WATCH

The Ohio Department of Education performed a fiscal analysis of the District in November 2003, and placed the District in fiscal caution effective February 23, 2004. The Auditor of State placed the District in Fiscal Watch on May 25, 2004. The District submitted a financial recovery plan on December 30, 2004 which was approved by the Ohio Department of Education on January 26, 2005. As a result of the community's passage of the emergency levy and the successful completion of the Fiscal Watch Release audit, the District was released from Fiscal Watch by the Auditor of State on May 28, 2008.

NOTE 22 – RESTATEMENT OF NET ASSETS

During fiscal year 2007, the School District incorrectly recognized income tax revenue that had not been received related to fiscal year 2007. The correction of the error had the following impact on beginning net assets:

	Governmental Activities
Net Assets – June 30, 2007	(\$1,618,131)
Correction of income tax posting	(1,608,735)
Net Assets – June 30, 2007 - restated	(\$3,226,866)

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**FAIRBORN CITY SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed Through Ohio Department of Education)						
Child Nutrition Cluster						
Cash Assistance						
School Breakfast Program		10.553	\$279,523		\$279,523	
Non-Cash Assistance (Food Distribution):						
National School Lunch Program		10.555		\$120,724		\$120,724
Cash Assistance						
National School Lunch Program		10.555	695,596		695,596	
Total National School Lunch Program			695,596	120,724	695,596	120,724
Cash Assistance						
Summer Food Service Program for Children		10.559	11,717		11,717	
Total Child Nutrition Cluster			986,836	120,724	986,836	120,724
Team Nutrition Grants		10.574	300		245	
Total U.S. Department of Agriculture			987,136	120,724	987,081	120,724
U.S. DEPARTMENT OF EDUCATION						
(Passed Through Ohio Department of Education)						
Title I Grants to Local Educational Agencies		84.010	830,416		917,180	
Special Education Cluster						
Special Education_Grants to States		84.027	1,299,110		1,262,429	
Special Education_Preschool Grants		84.173	40,860		46,080	
Total Special Education Cluster			1,339,970		1,308,509	
Safe and Drug-Free Schools and Communities State Grants		84.186	19,494		19,494	
State Grants for Innovative Programs		84.298	10,358		10,905	
Education Technology State Grants		84.318	1,135		3,630	
Comprehensive School Reform Demonstration		84.332	(1,614)		2,249	
English Language Acquisition Grants		84.365	1,487		2,689	
(Passed Through Sugarcreek Local School District)						
English Language Acquisition Grants		84.365	9,270		6,953	
Total English Language Acquisition Grants			10,757		9,642	
(Passed Through Ohio Department of Education)						
Improving Teacher Quality State Grants		84.367	192,460		268,508	
(Direct Aid)						
Impact Aid	S041B-2005-3694 S041B-2008-3694	84.041	149,875		149,875	
			426,488		426,488	
Total Impact Aid			576,363		576,363	
Total U.S. Department of Education			2,979,339		3,116,480	
U.S. DEPARTMENT OF DEFENSE						
(Direct Aid)						
Impact Aid		12.XXX	116,742		116,742	
Total Federal Assistance			\$4,083,217	\$120,724	\$4,220,303	\$120,724

The accompanying notes are an integral part of this schedule.

**FAIRBORN CITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairborn City School District, Greene County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above as finding number 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 18, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 18, 2009.

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



Mary Taylor, CPA
Auditor of State

February 18, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Fairborn City School District, Greene County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended

June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Fairborn City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008. In a separate letter to the District's management dated February 18, 2009, we reported a matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

February 18, 2009

FAIRBORN CITY SCHOOL DISTRICT
GREENE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Custer – School Breakfast Program (CFDA #10.553), National School Lunch Program (CFDA #10.555), Summer Food Service Programs for Children (CFDA #10.559) Impact Aid (CFDA #84.041)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2008-001

MATERIAL WEAKNESS/SIGNIFICANT DEFICIENCY

Reporting Purchase of Buses as Capital Assets

The District's capital asset policy is to capitalize all assets with a cost greater than \$5,000. In August 2007 the District purchased 5 buses from Miami Valley International Trucks, Inc. in the amount of \$359,435. The District did not record these capital assets on their capital asset system in fiscal year 2008. In addition, the District also disposed of 5 buses (all of which were fully depreciated) in fiscal year 2008, which were not deleted from the capital asset system during the audit period. The financial statements have been adjusted accordingly.

The District should implement procedures so that all capital assets with a value greater than \$5,000 be recorded as a capital assets and that all assets which are disposed of are timely deleted from the capital asset records.

Officials Response: Officials declined to respond to the finding above

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**FAIRBORN CITY SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 3315.17 and 3315.18. The District did not set aside the required amount of funds for the textbook and instructional materials reserve.	Yes	
2007-002	The District paid insurance premiums for vehicles no longer owned by the District.	Yes	



Mary Taylor, CPA
Auditor of State

FAIRBORN CITY SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2009**