



Dave Yost • Auditor of State

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fairbanks Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2012 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, the business-type activities, each major fund, and the aggregate remaining fund information of Fairbanks Local School District, Union County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

December 7, 2012

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The management's discussion and analysis of Fairbanks Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets increased \$1,084,693. Net assets of governmental activities increased \$1,082,947, which represents a 13.85% increase from 2011. Net assets of business-type activities increased \$1,746 from 2011.
- For governmental activities, general revenues accounted for \$10,843,761, or 87.54% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,544,048, or 12.46%, of total revenues of \$12,387,809.
- The District had \$11,304,862 in expenses related to governmental activities; only \$1,544,048 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,843,761 were adequate to provide for the programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$10,059,885 in revenues and \$9,317,969 in expenditures and other financing uses. The general fund's fund balance increased \$741,916 from a balance of \$1,914,128 to \$2,656,044.
- The bond retirement fund had \$1,073,505 in revenues and other financing sources and \$1,092,079 in expenditures. The bond retirement fund's fund balance decreased \$18,574 from a balance of \$711,870 to \$693,296.
- Net assets for the District's enterprise fund increased \$1,746. The Fairbanks Elementary Extended Day Program (F.E.E.D. Program), a nonmajor enterprise fund, had \$30,424 in operating revenues and \$28,678 in operating expenses.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Proprietary Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below shows the net assets for governmental activities and business-type activities at June 30, 2012 and June 30, 2011.

Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
<u>Assets</u>						
Current assets	\$ 10,490,604	\$ 9,297,749	\$ 17,816	\$ 21,768	\$ 10,508,420	\$ 9,319,517
Capital assets, net	<u>16,482,986</u>	<u>16,194,658</u>	<u>-</u>	<u>-</u>	<u>16,482,986</u>	<u>16,194,658</u>
Total assets	<u>26,973,590</u>	<u>25,492,407</u>	<u>17,816</u>	<u>21,768</u>	<u>26,991,406</u>	<u>25,514,175</u>
<u>Liabilities</u>						
Current liabilities	5,977,693	5,766,210	1,157	6,855	5,978,850	5,773,065
Long-term liabilities	<u>12,093,923</u>	<u>11,907,170</u>	<u>-</u>	<u>-</u>	<u>12,093,923</u>	<u>11,907,170</u>
Total liabilities	<u>18,071,616</u>	<u>17,673,380</u>	<u>1,157</u>	<u>6,855</u>	<u>18,072,773</u>	<u>17,680,235</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	5,444,462	4,975,080	-	-	5,444,462	4,975,080
Restricted	1,213,444	1,180,701	-	-	1,213,444	1,180,701
Unrestricted	<u>2,244,068</u>	<u>1,663,246</u>	<u>16,659</u>	<u>14,913</u>	<u>2,260,727</u>	<u>1,678,159</u>
Total net assets	<u>\$ 8,901,974</u>	<u>\$ 7,819,027</u>	<u>\$ 16,659</u>	<u>\$ 14,913</u>	<u>\$ 8,918,633</u>	<u>\$ 7,833,940</u>

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

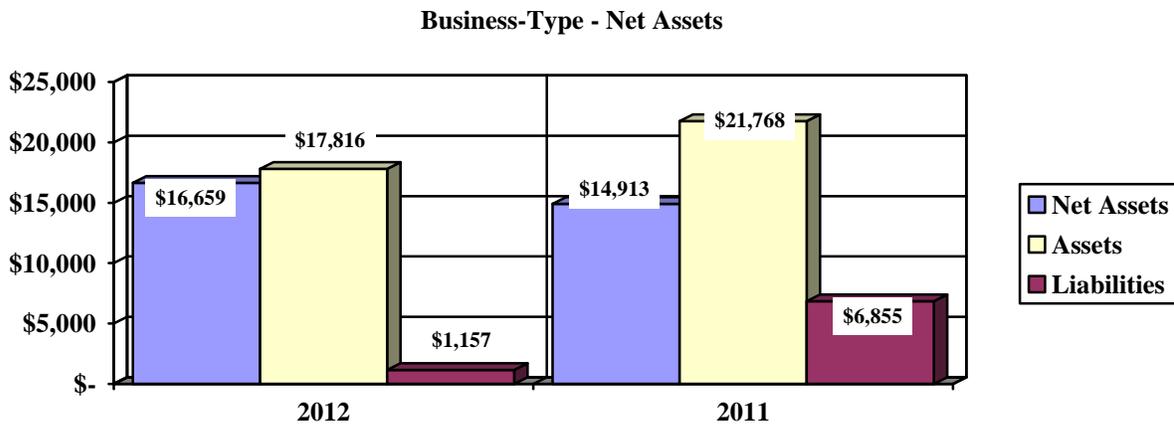
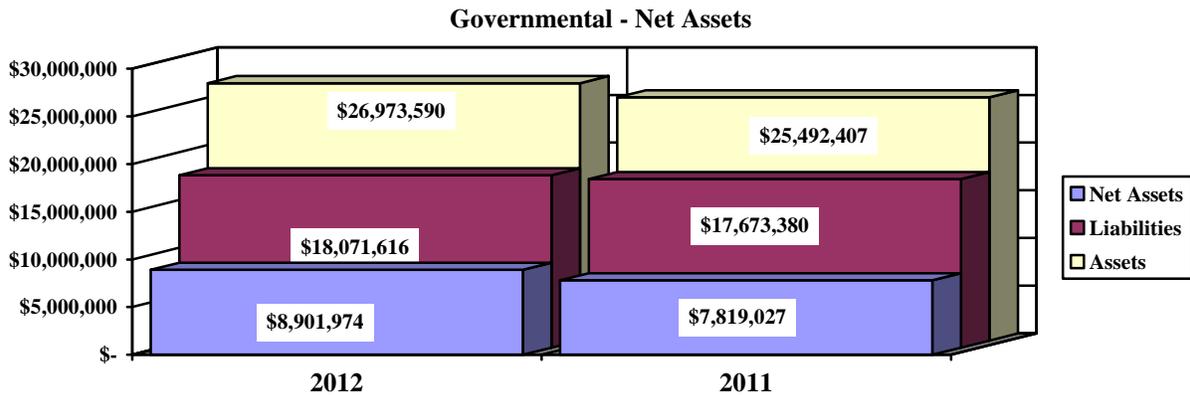
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$8,918,633. \$8,901,974 of this total is in governmental activities, and \$16,659 is in business-type activities.

Capital assets reported on the government-wide statements represented 61.07% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$5,444,462 in the governmental activities. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,213,444, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets, \$2,244,068 is unrestricted in use.

The graphs below show the District's governmental activities and business-type activities assets, liabilities and net assets at June 30, 2012 and June 30, 2011:



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The table below shows the change in net assets for governmental activities and business-type activities fiscal years 2012 and 2011:

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services and sales	\$ 754,170	\$ 462,972	\$ 30,424	\$ 63,673	\$ 784,594	\$ 526,645
Operating grants and contributions	789,878	1,055,299	-	-	789,878	1,055,299
General revenues:						
Taxes	7,874,002	7,672,670	-	-	7,874,002	7,672,670
Grants and entitlements	2,917,048	3,062,471	-	-	2,917,048	3,062,471
Investment earnings	26,994	37,131	-	-	26,994	37,131
Other	<u>25,717</u>	<u>73,924</u>	<u>-</u>	<u>-</u>	<u>25,717</u>	<u>73,924</u>
Total revenues	<u>12,387,809</u>	<u>12,364,467</u>	<u>30,424</u>	<u>63,673</u>	<u>12,418,233</u>	<u>12,428,140</u>
Expenses						
Program expenses:						
Instruction:						
Regular	4,839,952	5,146,936	-	-	4,839,952	5,146,936
Special	981,733	981,958	-	-	981,733	981,958
Vocational	11,693	41,068	-	-	11,693	41,068
Other	80,740	65,298	-	-	80,740	65,298
Support services:						
Pupil	714,719	709,412	-	-	714,719	709,412
Instructional staff	391,594	443,447	-	-	391,594	443,447
Board of education	57,217	63,245	-	-	57,217	63,245
Administration	817,157	948,364	-	-	817,157	948,364
Fiscal	426,983	411,041	-	-	426,983	411,041
Operations and maintenance	1,018,540	1,088,873	-	-	1,018,540	1,088,873
Pupil transportation	614,787	852,057	-	-	614,787	852,057
Central	-	6,825	-	-	-	6,825
Food service	322,805	355,712	-	-	322,805	355,712
Operation of non-instructional services	182,959	146,576	-	-	182,959	146,576
Extracurricular activities	291,133	310,745	-	-	291,133	310,745
Interest and fiscal charges	552,850	554,829	-	-	552,850	554,829
F.E.E.D. Program	<u>-</u>	<u>-</u>	<u>28,678</u>	<u>62,120</u>	<u>28,678</u>	<u>62,120</u>
Total expenses	<u>11,304,862</u>	<u>12,126,386</u>	<u>28,678</u>	<u>62,120</u>	<u>11,333,540</u>	<u>12,188,506</u>
Changes in net assets	1,082,947	238,081	1,746	1,553	1,084,693	239,634
Net assets at beginning of year	<u>7,819,027</u>	<u>7,580,946</u>	<u>14,913</u>	<u>13,360</u>	<u>7,833,940</u>	<u>7,594,306</u>
Net assets at end of year	<u>\$ 8,901,974</u>	<u>\$ 7,819,027</u>	<u>\$ 16,659</u>	<u>\$ 14,913</u>	<u>\$ 8,918,633</u>	<u>\$ 7,833,940</u>

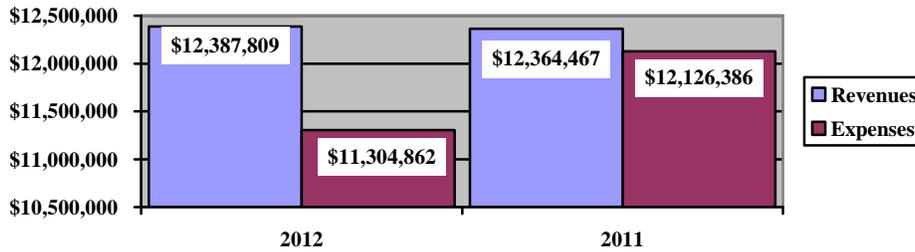
**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Governmental Activities

Net assets of the District's governmental activities increased \$1,082,947. During 2012, total governmental expenses of \$11,304,862 were offset by program revenues of \$1,544,048 and general revenues of \$10,843,761. Program revenues supported 13.66% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 87.11% of total governmental revenue. Real estate property is reappraised every six years. The graph below presents the District's governmental activities revenues and expenses for fiscal years 2012 and 2011.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2012 and 2011.

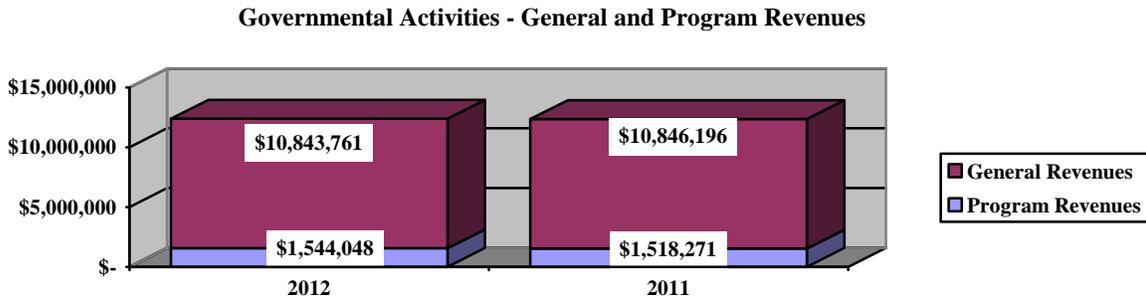
	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses:				
Instruction:				
Regular	\$ 4,839,952	\$ 4,455,901	\$ 5,146,936	\$ 4,896,851
Special	981,733	707,181	981,958	642,620
Vocational	11,693	(11,188)	41,068	18,187
Other	80,740	80,740	65,298	65,298
Support services:				
Pupil	714,719	595,430	709,412	622,893
Instructional staff	391,594	294,490	443,447	341,752
Board of education	57,217	57,217	63,245	63,245
Administration	817,157	816,284	948,364	943,364
Fiscal	426,983	426,983	411,041	411,041
Operations and maintenance	1,018,540	1,018,540	1,088,873	1,019,728
Pupil transportation	614,787	588,519	852,057	826,383
Central	-	-	6,825	-
Food service	322,805	(41,811)	355,712	(22,687)
Operation of non-instructional services	182,959	15,238	146,576	(2,316)
Extracurricular activities	291,133	204,440	310,745	226,927
Interest and fiscal charges	552,850	552,850	554,829	554,829
Total expenses	\$ 11,304,862	\$ 9,760,814	\$ 12,126,386	\$ 10,608,115

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The dependence upon tax revenues during fiscal year 2012 for governmental activities is apparent, as 88.47% of 2012 instruction activities are supported through taxes and other general revenues. General revenue support for all governmental activities was 86.34% in 2012.

The graph below presents the District's governmental activities revenues for fiscal years 2012 and 2011.



Business-Type Activities

Business-type activities include the F.E.E.D. Program operation. This program had operating revenues of \$30,424 and operating expenses of \$28,678 for fiscal year 2012. The District's business activities receive no support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$3,821,908, which is higher than last year's balance of \$2,955,412. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase/ (Decrease)
General	\$ 2,656,044	\$ 1,914,128	\$ 741,916
Bond retirement	693,296	711,870	(18,574)
Other governmental	472,568	329,414	143,154
Total	\$ 3,821,908	\$ 2,955,412	\$ 866,496

The fund balance of the other governmental funds increased primarily due to sale of bonds.

General Fund

The District's general fund balance increased \$741,916 during fiscal year 2012 primarily due to increased tax and tuition revenues and decreasing instruction and support services expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,616,921	\$ 6,225,277	\$ 391,644	6.29 %
Tuition	345,416	93,587	251,829	269.09 %
Interest earnings	24,626	36,999	(12,373)	(33.44) %
Intergovernmental	2,951,922	3,090,502	(138,580)	(4.48) %
Other revenues	<u>121,000</u>	<u>117,132</u>	<u>3,868</u>	3.30 %
Total	<u>\$10,059,885</u>	<u>\$ 9,563,497</u>	<u>\$ 496,388</u>	5.19 %
<u>Expenditures</u>				
Instruction	\$ 5,392,782	\$ 5,604,335	\$ (211,553)	(3.77) %
Support services	3,674,929	3,952,812	(277,883)	(7.03) %
Extracurricular activities	193,159	216,708	(23,549)	(10.87) %
Debt service	<u>6,941</u>	<u>27,760</u>	<u>(20,819)</u>	(75.00) %
Total	<u>\$ 9,267,811</u>	<u>\$ 9,801,615</u>	<u>\$ (533,804)</u>	(5.45) %

Tuition revenues increased during fiscal year 2012 primarily due to an increase in open enrollment. Earnings in investments decreased due to the declining interest rate market. All other revenues remained consistent with the prior year.

Extracurricular expenditures decreased during 2012 due primarily to a decrease in girls' sports teams' expenditures. Debt service expenditures decrease due to the District fulfilling their capital lease obligations. All other expenditures remained consistent with the prior year.

Bond Retirement Fund

The bond retirement fund had \$1,073,505 in revenues and other financing sources and \$1,092,079 in expenditures. During fiscal year 2012, the bond retirement fund's fund balance decreased \$18,574 from \$711,870 to \$693,296. Fund balance of the bond retirement fund decreased \$18,574 as tax revenues and transfers of \$314,974 from the general fund and other governmental funds were not able to support debt payments and other expenditures.

General Fund Budgeting Highlights

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

During the course of fiscal 2012, the District amended its general fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$10,076,854. This was \$482,344 higher than the original budgeted revenues of \$9,594,510. Actual revenues and other financing sources for fiscal 2012 was \$10,078,927, which is \$2,073 higher than final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,125,167 were decreased to \$9,873,962 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$9,230,212, which is \$643,750 lower than the final appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2012, the District had \$16,482,986 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This total amount was reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011:

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

	Governmental Activities	
	2012	2011
Land	\$ 80,849	\$ 80,849
Construction in progress	491,209	6,300
Land improvements	185,829	58,082
Building and improvements	14,332,860	14,634,022
Furniture and equipment	1,005,226	1,049,163
Vehicles	387,013	366,242
Total	\$ 16,482,986	\$ 16,194,658

The overall increase in capital assets of \$288,328 is due capital outlay of \$792,345 exceeding depreciation expense of \$496,154 and disposals of \$7,863 (net of accumulated depreciation).

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Debt Administration

At June 30, 2012 the District had \$76,000 in energy conservation notes, \$10,575,428 in general obligation bonds and \$576,085 in energy conservation bonds outstanding. Of this total, \$397,000 is due within one year and \$10,830,513 is due in greater than one year. The following table summarizes the District's debt obligations outstanding at June 30, 2012 and 2011.

Outstanding Debt, at Year End

	Governmental Activities 2012	Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 10,575,428	\$ 10,801,599
Energy conservation bonds	576,085	-
Energy conservation notes	76,000	111,000
Capital lease payable	-	6,849
Lease purchase payable	<u>-</u>	<u>255,000</u>
Total	<u>\$ 11,227,513</u>	<u>\$ 11,174,448</u>

At June 30, 2012 the District's overall legal debt margin was \$8,930,317 with an unvoted debt margin of \$205,079. See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District had a positive year financially after a 4% reduction in the operating budget, and higher than anticipated revenues. Revenues were up mostly from increasing CAUV values and additional open enrollment students. The district changed the process where staff children now come through under open enrollment, resulting in additional tuition revenue. This change did not take place until the start of the school year. In addition, the state does not make an adjustment to reflect this revenue until months into the fiscal year. Expenditures were down mostly from the reductions in staff positions, as well as lower heating costs from a mild winter.

Overall, the district is financially stable at this time. The short-term outlook is positive.

However, there are still concerns with the future of state funding as a new school funding formula is to be implemented by fiscal year 2014.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,851,245	\$ 17,816	\$ 3,869,061
Receivables:			
Taxes	6,442,698	-	6,442,698
Intergovernmental	41,413	-	41,413
Accrued interest	18	-	18
Unamortized bond issuance costs	153,456	-	153,456
Materials and supplies inventory.	1,774	-	1,774
Capital assets:			
Land and construction in progress.	572,058	-	572,058
Depreciable capital assets, net.	15,910,928	-	15,910,928
Capital assets, net	16,482,986	-	16,482,986
Total assets.	26,973,590	17,816	26,991,406
Liabilities:			
Accounts payable.	19,350	-	19,350
Contracts payable.	62,805	-	62,805
Accrued wages and benefits	814,332	-	814,332
Pension obligation payable.	203,042	1,089	204,131
Intergovernmental payable	40,920	68	40,988
Accrued interest payable	36,554	-	36,554
Unearned revenue	4,800,690	-	4,800,690
Long-term liabilities:			
Due within one year.	547,935	-	547,935
Due in more than one year.	11,545,988	-	11,545,988
Total liabilities	18,071,616	1,157	18,072,773
Net assets:			
Invested in capital assets, net of related debt.	5,444,462	-	5,444,462
Restricted for:			
Capital projects	351,453	-	351,453
Debt service.	696,298	-	696,298
Locally funded programs	251	-	251
State funded programs.	26,335	-	26,335
Federally funded programs	3,231	-	3,231
Student activities	24,305	-	24,305
Other purposes	111,571	-	111,571
Unrestricted	2,244,068	16,659	2,260,727
Total net assets	\$ 8,901,974	\$ 16,659	\$ 8,918,633

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 4,839,952	\$ 358,346	\$ 25,705
Special	981,733	34,365	240,187
Vocational	11,693	-	22,881
Other	80,740	-	-
Support services:			
Pupil	714,719	33,613	85,676
Instructional staff	391,594	1,200	95,904
Board of education	57,217	-	-
Administration	817,157	873	-
Fiscal	426,983	-	-
Operations and maintenance	1,018,540	-	-
Pupil transportation	614,787	12,302	13,966
Operation of non-instructional services:			
Other non-instructional services	182,959	-	167,721
Food service operations	322,805	228,498	136,118
Extracurricular activities	291,133	84,973	1,720
Interest and fiscal charges	552,850	-	-
Total governmental activities	11,304,862	754,170	789,878
Business-type activities:			
F.E.E.D. Program	28,678	30,424	-
Total business-type activities	28,678	30,424	-
Totals	\$ 11,333,540	\$ 784,594	\$ 789,878

General revenues:

Property taxes levied for:

- General purposes
- Debt service

School district income tax

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-Type Activities	Total
\$ (4,455,901)	\$ -	\$ (4,455,901)
(707,181)	-	(707,181)
11,188	-	11,188
(80,740)	-	(80,740)
(595,430)	-	(595,430)
(294,490)	-	(294,490)
(57,217)	-	(57,217)
(816,284)	-	(816,284)
(426,983)	-	(426,983)
(1,018,540)	-	(1,018,540)
(588,519)	-	(588,519)
(15,238)	-	(15,238)
41,811	-	41,811
(204,440)	-	(204,440)
(552,850)	-	(552,850)
(9,760,814)	-	(9,760,814)
-	1,746	1,746
-	1,746	1,746
(9,760,814)	1,746	(9,759,068)
5,304,263	-	5,304,263
658,525	-	658,525
1,911,214	-	1,911,214
2,917,048	-	2,917,048
26,994	-	26,994
25,717	-	25,717
10,843,761	-	10,843,761
1,082,947	1,746	1,084,693
7,819,027	14,913	7,833,940
\$ 8,901,974	\$ 16,659	\$ 8,918,633

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,811,137	\$ 617,264	\$ 422,844	\$ 3,851,245
Receivables:				
Taxes	5,548,596	707,611	186,491	6,442,698
Intergovernmental	21,913	-	19,500	41,413
Accrued interest	18	-	-	18
Interfund loans	12,036	-	-	12,036
Materials and supplies inventory	-	-	1,774	1,774
Total assets	<u>\$ 8,393,700</u>	<u>\$ 1,324,875</u>	<u>\$ 630,609</u>	<u>\$ 10,349,184</u>
Liabilities:				
Accounts payable	\$ 15,696	\$ -	\$ 3,654	\$ 19,350
Contracts payable	-	-	62,805	62,805
Accrued wages and benefits	797,299	-	17,033	814,332
Compensated absences payable	108,552	-	-	108,552
Pension obligation payable	193,160	-	9,882	203,042
Intergovernmental payable	36,217	-	4,703	40,920
Interfund loans payable	-	-	12,036	12,036
Deferred revenue	378,065	39,556	47,928	465,549
Unearned revenue	4,208,667	592,023	-	4,800,690
Total liabilities	<u>5,737,656</u>	<u>631,579</u>	<u>158,041</u>	<u>6,527,276</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	1,774	1,774
Restricted:				
Debt service	-	693,296	-	693,296
Capital improvements	-	-	323,025	323,025
Food service operations	-	-	113,087	113,087
Non-public schools	-	-	25,795	25,795
Targeted academic assistance	-	-	278	278
Other purposes	-	-	2,816	2,816
Extracurricular	-	-	24,305	24,305
Assigned:				
Student instruction	2,337	-	-	2,337
Student and staff support	43,109	-	-	43,109
School supplies	17,712	-	-	17,712
Subsequent year appropriations	738,956	-	-	738,956
Other purposes	1,990	-	-	1,990
Unassigned (deficit)	1,851,940	-	(18,512)	1,833,428
Total fund balances	<u>2,656,044</u>	<u>693,296</u>	<u>472,568</u>	<u>3,821,908</u>
Total liabilities and fund balances	<u>\$ 8,393,700</u>	<u>\$ 1,324,875</u>	<u>\$ 630,609</u>	<u>\$ 10,349,184</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$	3,821,908
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,482,986
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	424,118	
Accrued interest receivable		18	
Intergovernmental receivable		41,413	
Total		465,549	465,549
Accrued interest payable on bonds is not due and payable in the current period and therefore is not reported in the funds.			(36,554)
Unamortized premiums on bond issuance are not recognized in the funds.			(320,918)
Unamortized bond issuance costs are not recognized in the funds.			153,456
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(436,940)	
General obligation bonds payable		(11,151,513)	
Energy conservation note payable		(76,000)	
Total		(11,664,453)	(11,664,453)
Net assets of governmental activities		\$	8,901,974

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 6,616,921	\$ 652,904	\$ 449,512	\$ 7,719,337
Tuition	345,416	-	-	345,416
Transportation fees	15,425	-	-	15,425
Earnings on investments	24,626	1,882	1,126	27,634
Charges for services	-	-	228,498	228,498
Extracurricular	-	-	84,973	84,973
Classroom materials and fees	48,031	-	-	48,031
Other local revenues	57,544	-	2,171	59,715
Intergovernmental - intermediate	600	-	-	600
Intergovernmental - state	2,951,322	103,745	156,736	3,211,803
Intergovernmental - federal	-	-	607,563	607,563
Total revenues	<u>10,059,885</u>	<u>758,531</u>	<u>1,530,579</u>	<u>12,348,995</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,498,055	-	116,172	4,614,227
Special	802,294	-	150,186	952,480
Vocational	11,693	-	-	11,693
Other	80,740	-	-	80,740
Support services:				
Pupil	591,262	-	84,742	676,004
Instructional staff	283,497	-	93,484	376,981
Board of education	57,045	-	-	57,045
Administration	764,780	-	-	764,780
Fiscal	413,765	16,571	7,512	437,848
Operations and maintenance	935,288	-	74,928	1,010,216
Pupil transportation	629,292	-	-	629,292
Central	-	-	5,400	5,400
Operation of non-instructional services:				
Food service operations	-	-	304,313	304,313
Other non-instructional services	-	-	182,119	182,119
Extracurricular activities	193,159	-	109,242	302,401
Facilities acquisition and construction	-	-	569,511	569,511
Debt service:				
Principal retirement	6,849	605,000	-	611,849
Interest and fiscal charges	92	470,508	-	470,600
Bond issuance costs	-	-	24,360	24,360
Total expenditures	<u>9,267,811</u>	<u>1,092,079</u>	<u>1,721,969</u>	<u>12,081,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>792,074</u>	<u>(333,548)</u>	<u>(191,390)</u>	<u>267,136</u>
Other financing sources (uses):				
Premium on bonds	-	-	24,360	24,360
Sale of bonds	-	-	575,000	575,000
Transfers in	-	314,974	766	315,740
Transfers (out)	(50,158)	-	(265,582)	(315,740)
Total other financing sources (uses)	<u>(50,158)</u>	<u>314,974</u>	<u>334,544</u>	<u>599,360</u>
Net change in fund balances	741,916	(18,574)	143,154	866,496
Fund balances at beginning of year	<u>1,914,128</u>	<u>711,870</u>	<u>329,414</u>	<u>2,955,412</u>
Fund balances at end of year	<u>\$ 2,656,044</u>	<u>\$ 693,296</u>	<u>\$ 472,568</u>	<u>\$ 3,821,908</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$	866,496
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 792,345	
Current year depreciation	<u>(496,154)</u>	
Total		296,191
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations threshold) is to decrease net assets.		
		(7,863)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	154,665	
Intergovernmental revenue	(100,954)	
Earnings on investments	<u>(47)</u>	
Total		53,664
Repayment of bond, note lease purchase obligation and capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	315,000	
Energy conservation notes	35,000	
Capital lease obligation	6,849	
Lease purchase obligation	<u>255,000</u>	
Total		611,849
Issuances of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.		
		(575,000)
Premiums on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:		
Premiums on bonds	(24,360)	
Bond issuance costs	<u>24,360</u>	
Total		-
In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		
Increase in accrued interest payable	(156)	
Accreted interest on "capital appreciation" bonds	(89,914)	
Amortization of bond issue costs	(7,289)	
Amortization of bond premiums	<u>15,109</u>	
Total		(82,250)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(80,140)</u>
Change in net assets of governmental activities	\$	<u>1,082,947</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 6,490,116	\$ 6,671,610	\$ 6,672,543	\$ 933
Tuition	74,000	345,416	345,416	-
Transportation fees	8,000	12,302	12,302	-
Earnings on investments	20,000	24,352	24,626	274
Other local revenues	24,000	25,617	25,717	100
Intergovernmental - intermediate	1,000	600	600	-
Intergovernmental - state	2,955,963	2,951,322	2,951,322	-
Total revenues	<u>9,573,079</u>	<u>10,031,219</u>	<u>10,032,526</u>	<u>1,307</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,776,585	4,593,035	4,402,621	190,414
Special	862,617	875,617	790,485	85,132
Vocational	32,113	24,113	15,678	8,435
Other	84,367	82,677	77,707	4,970
Support services:				
Pupil	604,695	595,513	567,643	27,870
Instructional staff	341,846	325,182	284,148	41,034
Board of education	63,654	65,779	60,054	5,725
Administration	799,761	831,195	770,291	60,904
Fiscal	407,160	415,466	409,998	5,468
Operations and maintenance	1,102,358	1,037,710	948,155	89,555
Pupil transportation	675,758	693,322	646,297	47,025
Extracurricular activities	228,253	228,853	194,941	33,912
Total expenditures	<u>9,979,167</u>	<u>9,768,462</u>	<u>9,168,018</u>	<u>600,444</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(406,088)</u>	<u>262,757</u>	<u>864,508</u>	<u>601,751</u>
Other financing sources (uses):				
Refund of prior year's expenditures	21,431	21,431	21,431	-
Refund of prior year's receipts	(1,000)	(1,000)	-	1,000
Transfers (out)	(120,000)	(84,500)	(50,158)	34,342
Advances in	-	24,204	24,970	766
Advances (out)	(25,000)	(20,000)	(12,036)	7,964
Total other financing sources (uses)	<u>(124,569)</u>	<u>(59,865)</u>	<u>(15,793)</u>	<u>44,072</u>
Net change in fund balance	(530,657)	202,892	848,715	645,823
Fund balance at beginning of year	1,833,118	1,833,118	1,833,118	-
Prior year encumbrances appropriated	55,969	55,969	55,969	-
Fund balance at end of year	<u>\$ 1,358,430</u>	<u>\$ 2,091,979</u>	<u>\$ 2,737,802</u>	<u>\$ 645,823</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>Business-type Activities Non-Major Enterprise Fund</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 17,816
Total assets.	<u>17,816</u>
Liabilities:	
Current liabilities:	
Pension obligation payable.	1,089
Intergovernmental payable	<u>68</u>
Total liabilities	<u>1,157</u>
Net assets:	
Unrestricted.	<u>16,659</u>
Total net assets	<u>\$ 16,659</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities Non-Major Enterprise Fund
Operating revenues:	
Tuition and fees	\$ 30,424
Total operating revenues	30,424
 Operating expenses:	
Personal services	26,972
Purchased services	40
Materials and supplies	1,666
Total operating expenses	28,678
 Operating income/change in net assets	1,746
 Net assets at beginning of year	14,913
Net assets at end of year	\$ 16,659

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities
	Non-Major Enterprise Fund
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 30,424
Cash payments for personal services.	(32,470)
Cash payments for contractual services	(40)
Cash payments for materials and supplies	(1,866)
Net cash used in operating activities.	(3,952)
Cash and cash equivalents at beginning of year	21,768
Cash and cash equivalents at end of year	\$ 17,816
 Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 1,746
Changes in assets and liabilities:	
Decrease in accounts payable	(200)
Decrease in accrued wages and benefits	(3,807)
Decrease in intergovernmental payable.	(145)
Decrease in pension obligation payable.	(1,546)
Net cash used in operating activities.	\$ (3,952)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 69,309	\$ 40,711
Total assets.	<u>69,309</u>	<u>\$ 40,711</u>
Liabilities:		
Accounts payable.	-	\$ 306
Due to students.	-	40,405
Total liabilities	<u>-</u>	<u>\$ 40,711</u>
Net assets:		
Held in trust for scholarships	<u>69,309</u>	
Total net assets	<u>\$ 69,309</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
Additions:	
Interest	\$ 829
Deductions:	
Scholarships awarded	864
Change in net assets.	(35)
Net assets at beginning of year	69,344
Net assets at end of year.	\$ 69,309

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District employs 68 certified employees and 38 non-certified employees to provide services to approximately 1,033 students. The District cooperates with the Educational Service Center of Central Ohio, a separate entity, for curricular services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council (MEC)

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

Tolles Career & Technical Center (TCTC)

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

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2012, are reported as deferred revenue.

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency). The specific timetable for fiscal year 2012 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for tax rate determination. The Union County Budget Commission waived this requirement for fiscal year 2012.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations included were legally enacted by the Board during fiscal year 2012.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements may not legally exceed budgeted appropriations at the fund level.

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

F. Cash and Investments

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

During fiscal year 2012, investments were limited to repurchase agreements, non-negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit and repurchase agreements, are reported at cost.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$24,626 which includes \$5,374 assigned from other District funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

M. Net Assets

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

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

N. Parochial Schools

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

O. Estimates

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

P. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

R. Bond Issuance Costs/Premiums

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Education jobs	\$ 287
Entry year teacher mentor	2
IDEA Part-B	13,025
Title I	5,198

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At June 30, 2012, the District had \$2,245 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits, including \$64,007 of non-negotiable certificates of deposit, was \$3,875,319. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$3,638,781 of the District's bank balance of \$3,913,781 was exposed to custodial credit risk as discussed below, while \$275,000 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$ 101,517</u>	<u>\$ 101,517</u>

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	<u>\$ 101,517</u>	<u>100.00</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,875,319
Investments	101,517
Cash on hand	<u>2,245</u>
Total	<u>\$ 3,979,081</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,851,245
Business-type activities	17,816
Private-purpose trust fund	69,309
Agency fund	<u>40,711</u>
Total	<u>\$ 3,979,081</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2012 as reported on the fund financial statements consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 12,036</u>

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B. Interfund transfers for the fiscal year 2012 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Bond retirement fund	\$ 49,392
Nonmajor governmental funds	<u>766</u>
Total	<u>\$ 50,158</u>
<u>Transfers from nonmajor governmental fund to:</u>	
Bond retirement fund	<u>\$ 265,582</u>

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

All transfers made in fiscal year 2012 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Union and Madison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$509,987 in the general fund and \$76,032 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$586,215 in the general fund and \$212,037 in the bond retirement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 178,988,190	97.10	\$ 199,348,510	97.21
Public utility personal	<u>5,346,460</u>	<u>2.90</u>	<u>5,730,190</u>	<u>2.79</u>
Total	<u>\$ 184,334,650</u>	<u>100.00</u>	<u>\$ 205,078,700</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$41.40		\$41.40	
Bond	4.40		4.40	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:	
Taxes	\$ 6,442,698
Intergovernmental	41,413
Accrued interest	<u>18</u>
Total receivables	<u>\$ 6,484,129</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - INCOME TAXES

The District levies a voted income tax of 1.00%, .75% for operating and .25% for permanent improvements on the income of residents and on estates for general operations of the District. The .75% for operations was passed in November 1989 and is a continuing levy. The .25% is a five-year for permanent improvements levy passed in May 2006. The .25% permanent improvement levy was renewed during fiscal year 2011 through December 31, 2016. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund in the amount of \$1,433,274 and permanent improvement fund (a nonmajor governmental fund) in the amount of \$477,940 for fiscal year 2012.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 80,849	\$ -	\$ -	\$ 80,849
Construction in progress	6,300	491,751	(6,842)	491,209
Total capital assets, not being depreciated	<u>87,149</u>	<u>491,751</u>	<u>(6,842)</u>	<u>572,058</u>
Capital assets, being depreciated:				
Land improvements	1,046,738	135,920	(3,096)	1,179,562
Building/improvements	18,104,219	-	-	18,104,219
Furniture/equipment	1,965,319	97,941	(41,746)	2,021,514
Vehicles	1,126,117	73,575	(39,667)	1,160,025
Total capital assets, being depreciated	<u>22,242,393</u>	<u>307,436</u>	<u>(84,509)</u>	<u>22,465,320</u>
Less: accumulated depreciation				
Land improvements	(988,656)	(8,173)	3,096	(993,733)
Building/improvements	(3,470,197)	(301,162)	-	(3,771,359)
Furniture/equipment	(916,156)	(135,384)	35,252	(1,016,288)
Vehicles	(759,875)	(51,435)	38,298	(773,012)
Total accumulated depreciation	<u>(6,134,884)</u>	<u>(496,154)</u>	<u>76,646</u>	<u>(6,554,392)</u>
Governmental activities capital assets, net	<u>\$ 16,194,658</u>	<u>\$ 303,033</u>	<u>\$ (14,705)</u>	<u>\$ 16,482,986</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 203,204
Special	18,387
Support Services:	
Pupil	28,837
Instructional staff	39,612
Board of education	172
Administration	38,193
Fiscal	439
Operations and maintenance	71,153
Pupil transportation	58,517
Operation of non-instructional services	734
Food service operations	30,696
Extracurricular	<u>6,210</u>
Total depreciation expense	<u>\$ 496,154</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

A. Capital Lease Obligation

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

Capital assets consisting of equipment have been capitalized in the amount of \$113,111. Accumulated depreciation as of June 30, 2012 was \$67,866, leaving a current book value of \$45,245. During fiscal year 2012, principal and interest payments of \$6,849 and \$92, respectively, were paid from the general fund.

B. Lease Purchase Agreement

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

Capital assets consisting of buildings/improvements have been capitalized in the amount of \$1,224,071 at June 30, 2012. Accumulated depreciation as of June 30, 2012 was \$302,280, leaving a current book value of \$921,791. During fiscal year 2012, principal and interest payments of \$255,000 and \$10,582, respectively, were paid from the bond retirement fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS

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

	Balance			Balance	Amounts
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2012</u>	<u>Due Within</u>
					<u>One Year</u>
General obligation bonds:					
<u>Series 2006, facilities improvement</u>					
Current interest serial bonds	\$ 10,325,000	\$ -	\$ (315,000)	\$ 10,010,000	\$ 325,000
Capital appreciation bonds	210,062	-	-	210,062	-
Accreted interest	266,537	88,829	-	355,366	-
Total G.O. Bonds	<u>10,801,599</u>	<u>88,829</u>	<u>(315,000)</u>	<u>10,575,428</u>	<u>325,000</u>
<u>2011 Series Energy Conservation Bonds:</u>					
Current interest term bonds	-	570,000	-	570,000	35,000
Capital appreciation bonds	-	5,000	-	5,000	-
Accreted interest	-	1,085	-	1,085	-
Total energy conservation bonds	<u>-</u>	<u>576,085</u>	<u>-</u>	<u>576,085</u>	<u>35,000</u>
Other long-term obligations:					
Energy conservation notes	111,000	-	(35,000)	76,000	37,000
Capital lease payable	6,849	-	(6,849)	-	-
Lease purchase payable	255,000	-	(255,000)	-	-
Total other long-term obligations	<u>372,849</u>	<u>-</u>	<u>(296,849)</u>	<u>76,000</u>	<u>37,000</u>
Compensated absences:					
Sick leave	379,364	194,509	(70,764)	503,109	108,552
Vacation leave	41,691	24,971	(24,279)	42,383	42,383
Total compensated absences	<u>421,055</u>	<u>219,480</u>	<u>(95,043)</u>	<u>545,492</u>	<u>150,935</u>
Total	<u>\$ 11,595,503</u>	<u>\$ 884,394</u>	<u>\$ (706,892)</u>	11,773,005	<u>\$ 547,935</u>
Add: unamortized premium on bonds				320,918	
Total on statement of net assets				<u>\$ 12,093,923</u>	

Compensated absences

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

Lease purchase and capital lease payable

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

General obligation bonds

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

This issue was comprised of current interest bonds, present value \$10,905,000, and capital appreciation bonds, par value \$210,062. The capital appreciation bonds mature each December 1, 2013 through 2015, (stated interest 20.109%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,020,000. Total accreted interest of \$355,366 has been included on the statement of net assets at June 30, 2012.

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

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 325,000	\$ 432,734	\$ 757,734	\$ -	\$ -	\$ -
2014	-	426,234	426,234	83,813	256,187	340,000
2015	-	426,234	426,234	69,166	270,834	340,000
2016	-	426,234	426,234	57,083	282,917	340,000
2017	340,000	419,434	759,434	-	-	-
2018 - 2022	1,925,000	1,869,081	3,794,081	-	-	-
2023 - 2027	2,375,000	1,407,212	3,782,212	-	-	-
2028 - 2032	2,945,000	835,287	3,780,287	-	-	-
2033 - 2035	2,100,000	144,450	2,244,450	-	-	-
Total	<u>\$ 10,010,000</u>	<u>\$ 6,386,900</u>	<u>\$ 16,396,900</u>	<u>\$ 210,062</u>	<u>\$ 809,938</u>	<u>\$ 1,020,000</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year <u>Ending June 30,</u>	Principal on <u>Notes</u>	Interest on <u>Notes</u>	<u>Total</u>
2013	\$ 37,000	\$ 2,789	\$ 39,789
2014	<u>39,000</u>	<u>946</u>	<u>39,946</u>
Total	<u>\$ 76,000</u>	<u>\$ 3,735</u>	<u>\$ 79,735</u>

Energy Conservation Improvement Bonds - Series 2011

On September 27, 2011, the District issued \$570,000 in current interest term bonds and capital appreciation bonds, par value \$5,000 (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate between 1.10% and 3.6% and are scheduled to mature in fiscal year 2027. Payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement fund. The balance of these bonds at June 30, 2012 in the amount of \$570,000 has been included on the statement of net assets.

The capital appreciation bonds mature December 1, 2018, (stated interest 31.174%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$40,000. Total accreted interest of \$1,085 has been included in the statement of net assets at June 30, 2012.

Fiscal Year <u>Ending June 30,</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 35,000	\$ 14,350	\$ 49,350	\$ -	\$ -	\$ -
2014	35,000	13,965	48,965	-	-	-
2015	35,000	13,580	48,580	-	-	-
2016	35,000	13,064	48,064	-	-	-
2017	40,000	12,370	52,370	-	-	-
2018 - 2022	160,000	51,450	211,450	5,000	35,000	40,000
2023 - 2027	<u>230,000</u>	<u>20,340</u>	<u>250,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 570,000</u>	<u>\$ 139,119</u>	<u>\$ 709,119</u>	<u>\$ 5,000</u>	<u>\$ 35,000</u>	<u>\$ 40,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$8,930,317 (including available funds of \$693,296) and an unvoted debt margin of \$205,079.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

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

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

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$33,790,142. Property insurance also includes \$1,000,000 additional expense coverage.

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

B. Worker's Compensation

For fiscal year 2012, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP.

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - RISK MANAGEMENT - (Continued)

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

C. Employee Medical Insurance

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

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$161,227, \$159,620 and \$170,539, respectively; 72.93 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$600,328, \$623,438 and \$599,192, respectively; 83.72 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$44,990 made by the District and \$32,136 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.00 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$26,955, \$39,651 and \$26,462, respectively; 72.93 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$9,521, \$10,272 and \$10,142, respectively; 72.93 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$46,179, \$47,957 and \$46,092, respectively; 83.72 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 848,715
Net adjustment for revenue accruals	(55,622)
Net adjustment for expenditure accruals	(56,907)
Net adjustment for other sources/uses	(34,365)
Funds budgeted elsewhere *	(2,109)
Adjustment for encumbrances	42,204
GAAP basis	<u>\$ 741,916</u>

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

NOTE 16 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The 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. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

NOTE 17 - SET-ASIDES

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	172,452
Current year offsets	<u>(442,516)</u>
Total	<u>\$ (270,064)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 35,142
Other governmental	<u>79,370</u>
Total	<u>\$ 114,512</u>

NOTE 19 – SUBSEQUENT EVENT NOTE

In October 2012, the Board of Education approved issuance of bonds not to exceed \$9,685,000 to advance refund a portion of the Series 2006 bonds. The bonds are scheduled to be issued in December 2012.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
National School Lunch Program		10.555	\$ 17,524	\$ 17,524
Cash Assistance				
School Breakfast Program		10.553	19,242	19,242
National School Lunch Program		10.555	<u>95,861</u>	<u>95,861</u>
Total U.S. Department of Agriculture			<u>132,627</u>	<u>132,627</u>
 U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies		84.010	103,955	108,842
ARRA - Title I Grants to Local Educational Agencies		84.389	<u>15,072</u>	<u>14,337</u>
Total Title I, Part A Cluster			<u>119,027</u>	<u>123,179</u>
Special Education Cluster:				
Special Education Grants to States		84.027	220,994	225,111
Special Education Preschool Grant		84.173	4,056	4,056
ARRA - Special Education Preschool Grant		84.392	<u>4,083</u>	<u>1,759</u>
Total Special Education Cluster			<u>229,133</u>	<u>230,926</u>
Safe and Drug Free School and Communities State Grants		84.186	331	375
Title IIA Improving Teacher Quality State Grants		84.367	28,087	25,622
ARRA- Race to the Top		84.395	350	350
Education Jobs Fund		84.410	<u>98,007</u>	<u>98,007</u>
Total U.S. Department of Education			<u>474,935</u>	<u>478,459</u>
Total			<u>\$ 607,562</u>	<u>\$ 611,086</u>

The accompanying notes are an integral part of this schedule.

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fairbanks Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

Fairbanks Local School District
Union County
Independent Accountants' Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 7, 2012.

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

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

Dave Yost
Auditor of State

December 7, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Fairbanks Local School District, Union County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, the Fairbanks Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

December 7, 2012

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

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)?	No
<i>(d)(1)(ii)</i>	Were there any 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 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA #84.027, CFDA #84.173, and CFDA #84.392
<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**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

FAIRBANKS LOCAL SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 10, 2013