

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

AARON S. JOHNSON, TREASURER



Dave Yost • Auditor of State

Board of Education
Fairbanks Local School District
11158 State Route 38
Milford Center, Ohio 43045

We have reviewed the *Independent Accountants' Report* of the Fairbanks Local School District, Union County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fairbanks Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 5, 2012

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report

Fairbanks Local School District
11158 State Route 38
Milford Center, OH 43045-9764

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, Union County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Fairbanks Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fairbanks Local School 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2011, the Fairbanks Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011 on our consideration of the Fairbanks Local School 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 Fairbanks Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* provides additional analysis and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards 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.



Julian & Grube, Inc.
December 14, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets increased \$239,634. Net assets of governmental activities increased \$238,081, which represents a 3.14% increase from 2010. Net assets of business-type activities increased \$1,553 from 2010.
- For governmental funds, general revenues accounted for \$10,846,196, or 87.72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,518,271, or 12.28%, of total revenues of \$12,364,467.
- The District had \$12,126,386 in expenses related to governmental activities; only \$1,518,271 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 \$10,846,196 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 \$9,563,497 in revenues and \$9,847,049 in expenditures and other financing uses. The general fund's fund balance decreased \$283,552 from a restated balance of \$2,197,680 to \$1,914,128.
- The bond retirement fund had \$1,319,665 in revenues and other financing sources and \$1,135,450 in expenditures. The debt service fund's fund balance increased \$184,215 from a balance of \$527,655 to \$711,870.
- Net assets for the District's enterprise fund increased \$1,553. The Fairbanks Elementary Extended Day Program (F.E.E.D. Program), a nonmajor enterprise fund, had \$63,673 in operating revenues and \$62,120 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, 2011

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 2011?" 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, 2011

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 26-56 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, 2011 and June 30, 2010.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
<u>Assets</u>						
Current assets	\$ 9,297,749	\$ 9,077,836	\$ 21,768	\$ 21,227	\$ 9,319,517	\$ 9,099,063
Capital assets, net	16,194,658	16,627,362	-	-	16,194,658	16,627,362
Total assets	<u>25,492,407</u>	<u>25,705,198</u>	<u>21,768</u>	<u>21,227</u>	<u>25,514,175</u>	<u>25,726,425</u>
<u>Liabilities</u>						
Current liabilities	5,766,210	5,669,320	6,855	7,867	5,773,065	5,677,187
Long-term liabilities	11,907,170	12,454,932	-	-	11,907,170	12,454,932
Total liabilities	<u>17,673,380</u>	<u>18,124,252</u>	<u>6,855</u>	<u>7,867</u>	<u>17,680,235</u>	<u>18,132,119</u>
<u>Net Assets</u>						
Invested in capital						
assets, net of related debt	4,975,080	4,734,812	-	-	4,975,080	4,734,812
Restricted	1,180,701	1,087,261	-	-	1,180,701	1,087,261
Unrestricted	1,663,246	1,758,873	14,913	13,360	1,678,159	1,772,233
Total net assets	<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>

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

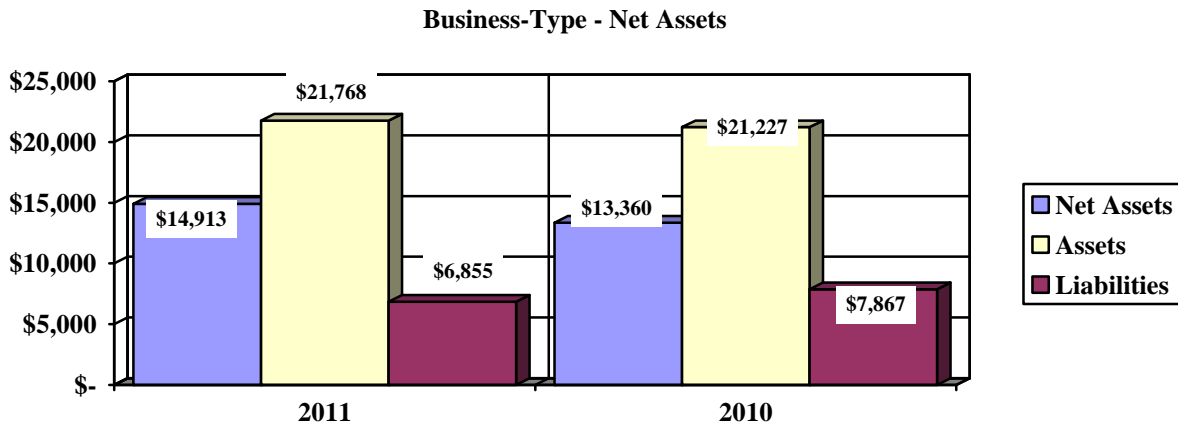
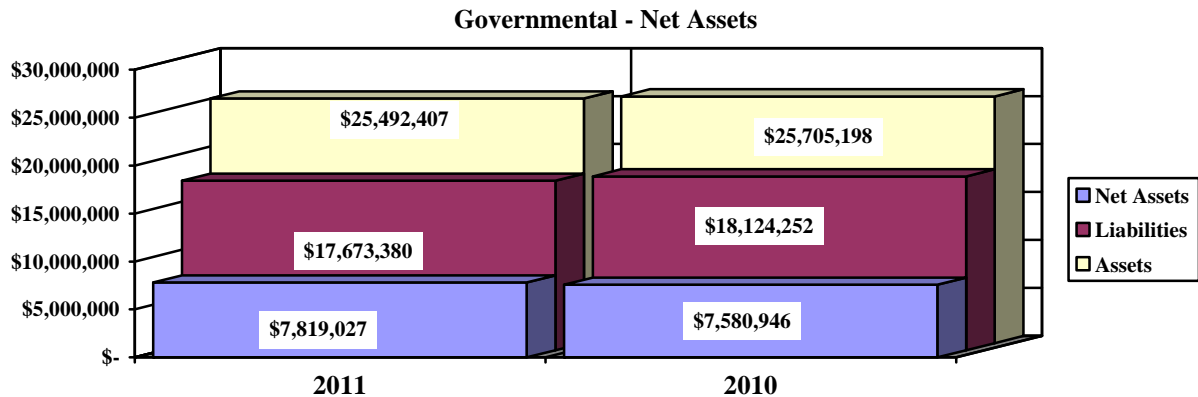
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$7,833,940. \$7,819,027 of this total is in governmental activities, and \$14,913 is in business-type activities.

Capital assets reported on the government-wide statements represented 63.47% 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, 2011, were \$4,975,080 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, \$1,180,701, 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, \$1,663,246 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, 2011 and June 30, 2010:



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The table below shows the change in net assets for governmental activities and business-type activities fiscal years 2011 and 2010:

	Change in Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 462,972	\$ 449,030	\$ 63,673	\$ 71,402	\$ 526,645	\$ 520,432
Operating grants and contributions	1,055,299	896,628	-	-	1,055,299	896,628
General revenues:						
Taxes	7,672,670	7,422,595	-	-	7,672,670	7,422,595
Grants and entitlements	3,062,471	3,195,177	-	-	3,062,471	3,195,177
Investment earnings	37,131	50,683	-	-	37,131	50,683
Other	<u>73,924</u>	<u>34,910</u>	<u>-</u>	<u>-</u>	<u>73,924</u>	<u>34,910</u>
Total revenues	<u>12,364,467</u>	<u>12,049,023</u>	<u>63,673</u>	<u>71,402</u>	<u>12,428,140</u>	<u>12,120,425</u>
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	5,146,936	3,948,773	-	-	5,146,936	3,948,773
Special	981,958	966,454	-	-	981,958	966,454
Vocational	41,068	41,564	-	-	41,068	41,564
Other	65,298	61,228	-	-	65,298	61,228
Support services:						
Pupil	709,412	731,221	-	-	709,412	731,221
Instructional staff	443,447	456,418	-	-	443,447	456,418
Board of education	63,245	44,639	-	-	63,245	44,639
Administration	948,364	907,360	-	-	948,364	907,360
Fiscal	411,041	394,546	-	-	411,041	394,546
Operations and maintenance	1,088,873	1,145,300	-	-	1,088,873	1,145,300
Pupil transportation	852,057	812,540	-	-	852,057	812,540
Central	6,825	6,859	-	-	6,825	6,859
Food service	355,712	331,416	-	-	355,712	331,416
Operation of non-instructional services	146,576	160,345	-	-	146,576	160,345
Extracurricular activities	310,745	322,891	-	-	310,745	322,891
Interest and fiscal charges	554,829	569,022	-	-	554,829	569,022
F.E.E.D. Program	<u>-</u>	<u>-</u>	<u>62,120</u>	<u>68,997</u>	<u>62,120</u>	<u>68,997</u>
Total expenses	<u>12,126,386</u>	<u>10,900,576</u>	<u>62,120</u>	<u>68,997</u>	<u>12,188,506</u>	<u>10,969,573</u>
Changes in net assets	238,081	1,148,447	1,553	2,405	239,634	1,150,852
Net assets (deficit) at beginning of year	<u>7,580,946</u>	<u>6,432,499</u>	<u>13,360</u>	<u>10,955</u>	<u>7,594,306</u>	<u>6,443,454</u>
Net assets at end 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>

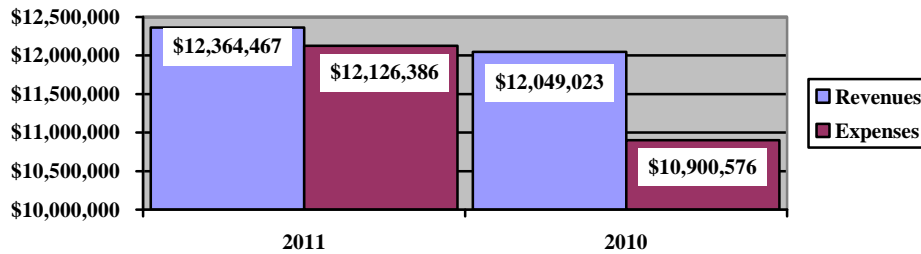
**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Governmental Activities

Net assets of the District's governmental activities increased \$238,081. During 2011, total governmental expenses of \$12,126,386 were offset by program revenues of \$1,518,271 and general revenues of \$10,846,196. Program revenues supported 12.52% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 86.82% 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 2011 and 2010.

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 2011 and 2010.

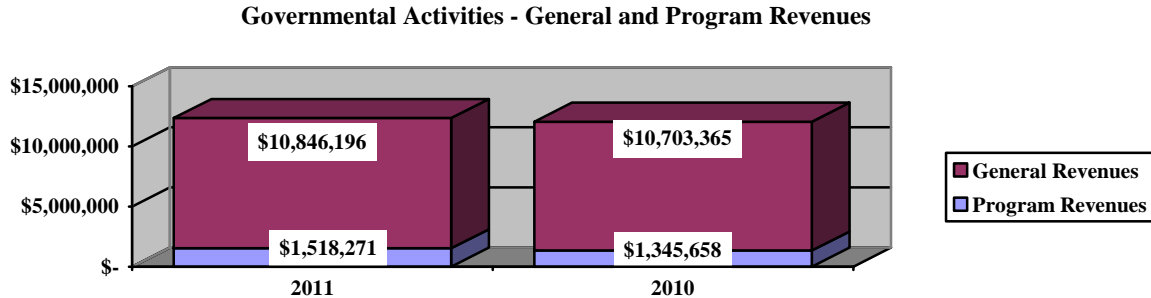
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses:				
Instruction:				
Regular	\$ 5,146,936	\$ 4,896,851	\$ 3,948,773	\$ 3,832,217
Special	981,958	642,620	966,454	844,813
Vocational	41,068	18,187	41,564	18,853
Other	65,298	65,298	61,228	61,228
Support services:				
Pupil	709,412	622,893	731,221	561,177
Instructional staff	443,447	341,752	456,418	370,180
Board of education	63,245	63,245	44,639	44,639
Administration	948,364	943,364	907,360	901,378
Fiscal	411,041	411,041	394,546	394,546
Operations and maintenance	1,088,873	1,019,728	1,145,300	1,038,392
Pupil transportation	852,057	826,383	812,540	698,873
Central	6,825	-	6,859	-
Food service	355,712	(22,687)	331,416	(11,131)
Operation of non-instructional services	146,576	(2,316)	160,345	(3,330)
Extracurricular activities	310,745	226,927	322,891	234,061
Interest and fiscal charges	554,829	554,829	569,022	569,022
Total expenses	\$ 12,126,386	\$ 10,608,115	\$ 10,900,576	\$ 9,554,918

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The dependence upon tax revenues during fiscal year 2011 for governmental activities is apparent, as 90.18% of 2011 instruction activities are supported through taxes and other general revenues. General revenue support for all governmental activities was 87.48% in 2011.

The graph below presents the District's governmental activities revenues for fiscal years 2011 and 2010.



Business-Type Activities

Business-type activities include the F.E.E.D. Program operation. This program had operating revenues of \$63,673 and operating expenses of \$62,120 for fiscal year 2011. 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 \$2,955,412, which is lower than last year's balance of \$3,125,785. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balance at June 30, 2010 as described in Note 3.B.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase/ (Decrease)
General	\$ 1,914,128	\$ 2,197,680	\$ (283,552)
Bond retirement	711,870	527,655	184,215
Other governmental	329,414	400,450	(71,036)
Total	\$ 2,955,412	\$ 3,125,785	\$ (170,373)

The fund balance of the other governmental funds decreased primarily due to increased expenditures.

Fund balance of the bond retirement fund increased as tax revenues were able to support required debt payments and due to a transfer in of \$362,217 received from the general fund and other governmental funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

General Fund

The District's general fund balance decreased \$283,552 during fiscal year 2011. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 6,225,277	\$ 6,241,586	\$ (16,309)	(0.26) %
Tuition	93,587	99,402	(5,815)	(5.85) %
Interest earnings	36,999	40,365	(3,366)	(8.34) %
Intergovernmental	3,090,502	3,140,013	(49,511)	(1.58) %
Other revenues	<u>117,132</u>	<u>123,781</u>	<u>(6,649)</u>	(5.37) %
Total	<u>\$ 9,563,497</u>	<u>\$ 9,645,147</u>	<u>\$ (81,650)</u>	(0.85) %
<u>Expenditures</u>				
Instruction	\$ 5,604,335	\$ 5,424,125	\$ 180,210	3.32 %
Support services	3,952,812	3,823,897	128,915	3.37 %
Extracurricular activities	216,708	223,256	(6,548)	(2.93) %
Debt service	<u>27,760</u>	<u>27,760</u>	-	- %
Total	<u>\$ 9,801,615</u>	<u>\$ 9,499,038</u>	<u>\$ 302,577</u>	3.19 %

All revenue and expenditure line items remained consistent with the prior fiscal year on a percentage basis.

Bond Retirement Fund

The bond retirement fund had \$1,319,665 in revenues and other financing sources and \$1,135,450 in expenditures. During fiscal year 2011, the bond retirement fund's fund balance increased \$184,215 from \$527,655 to \$711,870.

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 2011, 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 \$9,600,329. This was \$435,829 higher than the original budgeted revenues of \$9,164,500. Actual revenues and other financing sources for fiscal 2011 was \$9,609,616, which is \$9,287 higher than final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,311,225 were decreased to \$10,294,207 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$9,931,122, which is \$363,085 lower than the final appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$16,194,658 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, 2011 balances compared to June 30, 2010:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 80,849	\$ 80,849
Construction in progress	6,300	231,497
Land improvements	58,082	62,045
Building and improvements	14,634,022	14,612,633
Furniture and equipment	1,049,163	1,217,429
Vehicles	<u>366,242</u>	<u>422,909</u>
Total	<u>\$ 16,194,658</u>	<u>\$ 16,627,362</u>

The overall decrease in capital assets of \$432,704 is due to depreciation expense of \$483,251 exceeding capital outlay of \$265,069 and disposals of \$214,522 (net of accumulated depreciation).

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

Debt Administration

At June 30, 2011 the District had \$111,000 in energy conservation notes, \$10,801,599 in general obligation bonds, \$6,849 in capital lease and \$255,000 in lease purchase payable outstanding. Of this total, \$611,849 is due within one year and \$10,562,599 is due in greater than one year. The following table summarizes the District's debt obligations outstanding at June 30, 2011 and 2010.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 10,801,599	\$ 11,026,728
Energy conservation notes	111,000	144,000
Capital lease payable	6,849	32,918
Lease purchase payable	<u>255,000</u>	<u>555,000</u>
Total	<u>\$ 11,174,448</u>	<u>\$ 11,758,646</u>

At June 30, 2011 the District's overall legal debt margin was \$6,766,927 with an unvoted debt margin of \$184,335. See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Current Financial Related Activities

District tax valuation increased approximately 8% during Union County's property valuation reappraisal in 2010. The majority of this increase came from increases in Current Agricultural Use Values (CAUV). The valuation increase provided some property tax revenue growth to the District, while also providing property tax stabilization during a time of decreasing residential values. However, during the state's 2011 budget process, state reimbursement for the District's tangible personal property tax loss will be reduced starting in fiscal year 2012 by approximately 33%, or \$184,000. This reduction in reimbursement from the state, along with the ending of the state fiscal stabilization (Federal Stimulus) funding should lead to a decline in revenues for the District starting in 2012. Due to the loss of this funding, the District has made operating cost reductions totaling 4% of the total budget. Two teaching positions, as well as an administrator and transportation coordinator were eliminated during this budget reduction process. In addition, salary and pay freezes have been implemented for the next two years. These budget reductions and cost controls should keep revenues and expenditures in line for the next year. Long-term the District will still be impacted by various factors, among them the state's new funding formula, economic, future negotiated teacher agreements, as well as health insurance costs.

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, 2011

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 2,681,887	\$ 21,768	\$ 2,703,655
Receivables:			
Taxes	6,299,952	-	6,299,952
Accounts.	14,368	-	14,368
Intergovernmental	142,367	-	142,367
Accrued interest	65	-	65
Prepayments	18,672	-	18,672
Unamortized bond issuance costs	136,385	-	136,385
Materials and supplies inventory.	4,053	-	4,053
Capital assets:			
Land and construction in progress.	87,149	-	87,149
Depreciable capital assets, net.	16,107,509	-	16,107,509
Capital assets, net	<u>16,194,658</u>	<u>-</u>	<u>16,194,658</u>
Total assets.	<u>25,492,407</u>	<u>21,768</u>	<u>25,514,175</u>
Liabilities:			
Accounts payable.	33,854	200	34,054
Accrued wages and benefits	790,427	3,807	794,234
Pension obligation payable.	230,684	2,635	233,319
Intergovernmental payable	46,869	213	47,082
Accrued interest payable	36,398	-	36,398
Unearned revenue	4,627,978	-	4,627,978
Long-term liabilities:			
Due within one year.	717,795	-	717,795
Due in more than one year.	11,189,375	-	11,189,375
Total liabilities	<u>17,673,380</u>	<u>6,855</u>	<u>17,680,235</u>
Net assets:			
Invested in capital assets, net of related debt.	4,975,080	-	4,975,080
Restricted for:			
Capital projects	253,093	-	253,093
Debt service.	709,407	-	709,407
Locally funded programs	251	-	251
State funded programs.	26,457	-	26,457
Federally funded programs	111,747	-	111,747
Student activities	24,163	-	24,163
Other purposes	55,583	-	55,583
Unrestricted	<u>1,663,246</u>	<u>14,913</u>	<u>1,678,159</u>
Total net assets	<u>\$ 7,819,027</u>	<u>\$ 14,913</u>	<u>\$ 7,833,940</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 5,146,936	\$ 69,953	\$ 180,132
Special	981,958	58,414	280,924
Vocational	41,068	-	22,881
Other	65,298	-	-
Support services:			
Pupil.	709,412	-	86,519
Instructional staff	443,447	-	101,695
Board of education	63,245	-	-
Administration.	948,364	-	5,000
Fiscal.	411,041	-	-
Operations and maintenance	1,088,873	-	69,145
Pupil transportation.	852,057	10,886	14,788
Central	6,825	-	6,825
Operation of non-instructional services:			
Other non-instructional services	146,576	-	148,892
Food service operations	355,712	239,901	138,498
Extracurricular activities.	310,745	83,818	-
Interest and fiscal charges	554,829	-	-
Total governmental activities	12,126,386	462,972	1,055,299
Business-type activities:			
F.E.E.D. Program	62,120	63,673	-
Total business-type activities	62,120	63,673	-
Totals	\$ 12,188,506	\$ 526,645	\$ 1,055,299

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
\$ (4,896,851)	\$ -	\$ (4,896,851)
(642,620)	-	(642,620)
(18,187)	-	(18,187)
(65,298)	-	(65,298)
(622,893)	-	(622,893)
(341,752)	-	(341,752)
(63,245)	-	(63,245)
(943,364)	-	(943,364)
(411,041)	-	(411,041)
(1,019,728)	-	(1,019,728)
(826,383)	-	(826,383)
-	-	-
2,316	-	2,316
22,687	-	22,687
(226,927)	-	(226,927)
(554,829)	-	(554,829)
(10,608,115)	-	(10,608,115)
-	1,553	1,553
-	1,553	1,553
(10,608,115)	1,553	(10,606,562)
4,699,492	-	4,699,492
876,988	-	876,988
2,096,190	-	2,096,190
3,062,471	-	3,062,471
37,131	-	37,131
73,924	-	73,924
10,846,196	-	10,846,196
238,081	1,553	239,634
7,580,946	13,360	7,594,306
\$ 7,819,027	\$ 14,913	\$ 7,833,940

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<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.	\$ 1,922,476	\$ 499,833	\$ 259,578	\$ 2,681,887
Receivables:				
Taxes	5,445,095	703,790	151,067	6,299,952
Accounts	14,368	-	-	14,368
Intergovernmental.	7,063	-	135,304	142,367
Accrued interest	65	-	-	65
Interfund loans	24,970	-	-	24,970
Materials and supplies inventory.	-	-	4,053	4,053
Prepayments.	18,672	-	-	18,672
Total assets	<u>\$ 7,432,709</u>	<u>\$ 1,203,623</u>	<u>\$ 550,002</u>	<u>\$ 9,186,334</u>
Liabilities:				
Accounts payable	\$ 23,980	\$ -	\$ 9,874	\$ 33,854
Accrued wages and benefits.	763,320	-	27,107	790,427
Compensated absences payable	59,209	-	5,046	64,255
Pension obligation payable	218,043	-	12,641	230,684
Intergovernmental payable	41,223	-	5,646	46,869
Interfund loans payable.	-	-	24,970	24,970
Deferred revenue	242,646	33,935	135,304	411,885
Unearned revenue.	4,170,160	457,818	-	4,627,978
Total liabilities.	<u>5,518,581</u>	<u>491,753</u>	<u>220,588</u>	<u>6,230,922</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	4,053	4,053
Prepayments	18,672	-	-	18,672
Restricted:				
Debt service	-	711,870	-	711,870
Capital improvements	-	-	253,093	253,093
Food service operations	-	-	50,505	50,505
Non-public schools	-	-	25,917	25,917
Other purposes.	-	-	1,861	1,861
Extracurricular.	-	-	24,163	24,163
Assigned:				
Student instruction	8,332	-	-	8,332
Student and staff support.	41,746	-	-	41,746
School supplies	18,515	-	-	18,515
Unassigned (deficit)	<u>1,826,863</u>	<u>-</u>	<u>(30,178)</u>	<u>1,796,685</u>
Total fund balances	<u>1,914,128</u>	<u>711,870</u>	<u>329,414</u>	<u>2,955,412</u>
Total liabilities and fund balances	<u>\$ 7,432,709</u>	<u>\$ 1,203,623</u>	<u>\$ 550,002</u>	<u>\$ 9,186,334</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, 2011

Total governmental fund balances		\$	2,955,412
<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.			16,194,658
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	269,453	
Accrued interest receivable		65	
Intergovernmental receivable		142,367	
Total		142,367	411,885
Accrued interest payable on bonds is not due and payable in the current period and therefore is not reported in the funds.			(36,398)
Unamortized premiums on bond issuance are not recognized in the funds.			(311,667)
Unamortized bond issuance costs are not recognized in the funds.			136,385
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(356,800)	
General obligation bonds payable		(10,801,599)	
Capital lease payable		(6,849)	
Lease purchase payable		(255,000)	
Energy conservation note payable		(111,000)	
Total		(11,531,248)	(11,531,248)
Net assets of governmental activities		\$	7,819,027

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, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 6,225,277	\$ 855,503	\$ 419,483	\$ 7,500,263
Tuition.	93,587	-	-	93,587
Transportation fees.	10,886	-	-	10,886
Earnings on investments	36,999	-	67	37,066
Charges for services	-	-	239,901	239,901
Extracurricular.	-	-	83,818	83,818
Classroom materials and fees	34,780	-	-	34,780
Other local revenues	71,466	-	2,458	73,924
Intergovernmental - intermediate	1,931	-	-	1,931
Intergovernmental - state	3,088,571	101,945	142,189	3,332,705
Intergovernmental - federal	-	-	675,311	675,311
Total revenues	<u>9,563,497</u>	<u>957,448</u>	<u>1,563,227</u>	<u>12,084,172</u>
Expenditures:				
Current:				
Instruction:				
Regular.	4,664,472	-	97,955	4,762,427
Special	833,813	-	134,799	968,612
Vocational	40,752	-	-	40,752
Other	65,298	-	-	65,298
Support services:				
Pupil	593,660	-	86,720	680,380
Instructional staff	297,564	-	106,578	404,142
Board of education	63,073	-	-	63,073
Administration	925,635	-	4,989	930,624
Fiscal	392,668	15,399	205	408,272
Operations and maintenance	948,542	-	150,731	1,099,273
Pupil transportation	730,085	-	73,575	803,660
Central	-	-	6,825	6,825
Operation of non-instructional services:				
Food service operations.	-	-	332,562	332,562
Other non-instructional services	1,585	-	143,703	145,288
Extracurricular activities	216,708	-	87,974	304,682
Facilities acquisition and construction.	-	-	90,864	90,864
Debt service:				
Principal retirement.	26,069	633,000	-	659,069
Interest and fiscal charges	1,691	487,051	-	488,742
Total expenditures	<u>9,801,615</u>	<u>1,135,450</u>	<u>1,317,480</u>	<u>12,254,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(238,118)</u>	<u>(178,002)</u>	<u>245,747</u>	<u>(170,373)</u>
Other financing sources (uses):				
Transfers in.	-	362,217	6,250	368,467
Transfers (out)	<u>(45,434)</u>	<u>-</u>	<u>(323,033)</u>	<u>(368,467)</u>
Total other financing sources (uses)	<u>(45,434)</u>	<u>362,217</u>	<u>(316,783)</u>	<u>-</u>
Net change in fund balances	(283,552)	184,215	(71,036)	(170,373)
Fund balances at beginning of year (restated).	<u>2,197,680</u>	<u>527,655</u>	<u>400,450</u>	<u>3,125,785</u>
Fund balances at end of year.	<u>\$ 1,914,128</u>	<u>\$ 711,870</u>	<u>\$ 329,414</u>	<u>\$ 2,955,412</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, 2011

Net change in fund balances - total governmental funds \$ (170,373)

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

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

Capital asset additions	\$	265,069	
Current year depreciation		(483,251)	
Total			(218,182)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations threshold) is to decrease net assets. (214,522)

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

Taxes		172,407	
Intergovernmental revenue		105,390	
Earnings on investments		65	
Total			277,862

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		300,000	
Energy conservation notes		33,000	
Capital lease obligation		26,069	
Lease purchase obligation		300,000	
Total			659,069

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.

Decrease in accrued interest payable		966	
Accreted interest on "capital appreciation" bonds		(74,871)	
Amortization of bond issue costs		(6,085)	
Amortization of bond premiums		13,903	
Total			(66,087)

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. (29,686)

Change in net assets of governmental activities \$ 238,081

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,823,194	\$ 6,319,908	\$ 6,319,909	\$ 1
Tuition	84,698	93,587	93,587	-
Transportation fees	9,166	10,336	10,886	550
Earnings on investments	40,188	40,249	38,729	(1,520)
Other local revenues	44,591	40,692	40,692	-
Intergovernmental - intermediate	518	1,931	1,931	-
Intergovernmental - state	3,148,661	3,080,142	3,088,571	8,429
Total revenues	<u>9,151,016</u>	<u>9,586,845</u>	<u>9,594,305</u>	<u>7,460</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,698,326	4,761,778	4,700,185	61,593
Special	820,952	870,992	842,571	28,421
Vocational	22,972	42,615	40,438	2,177
Other	63,207	64,899	64,711	188
Support services:				
Pupil	623,845	579,391	541,167	38,224
Instructional staff	339,951	338,653	310,834	27,819
Board of education	33,593	71,669	67,996	3,673
Administration	949,532	953,642	922,948	30,694
Fiscal	397,172	408,396	398,174	10,222
Operations and maintenance	1,194,414	1,102,631	991,514	111,117
Pupil transportation	791,773	791,279	757,488	33,791
Extracurricular activities	235,488	230,019	215,449	14,570
Total expenditures	<u>10,171,225</u>	<u>10,215,964</u>	<u>9,853,475</u>	<u>362,489</u>
Excess of expenditures over revenues	<u>(1,020,209)</u>	<u>(629,119)</u>	<u>(259,170)</u>	<u>369,949</u>
Other financing sources (uses):				
Refund of prior year's expenditures	9,496	9,496	11,323	1,827
Refund of prior year's receipts	-	(7,243)	(7,243)	-
Transfers (out)	(120,000)	(46,000)	(45,434)	566
Advances in	3,711	3,711	3,711	-
Advances (out)	(20,000)	(25,000)	(24,970)	30
Sale of capital assets	277	277	277	-
Total other financing sources (uses)	<u>(126,516)</u>	<u>(64,759)</u>	<u>(62,336)</u>	<u>2,423</u>
Net change in fund balance	(1,146,725)	(693,878)	(321,506)	372,372
Fund balance at beginning of year	2,076,473	2,076,473	2,076,473	-
Prior year encumbrances appropriated	78,151	78,151	78,151	-
Fund balance at end of year	<u>\$ 1,007,899</u>	<u>\$ 1,460,746</u>	<u>\$ 1,833,118</u>	<u>\$ 372,372</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>Business-Type Activities Non-Major Enterprise Fund</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 21,768
Total assets.	<u>21,768</u>
Liabilities:	
Current liabilities:	
Accounts payable.	200
Accrued wages and benefits	3,807
Pension obligation payable.	2,635
Intergovernmental payable	<u>213</u>
Total liabilities	<u>6,855</u>
Net assets:	
Unrestricted.	<u>14,913</u>
Total net assets	<u>\$ 14,913</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, 2011

	Business-Type Activities
	Non-Major Enterprise Fund
Operating revenues:	
Tuition and fees.	\$ 63,673
Total operating revenues	63,673
Operating expenses:	
Personal services.	56,454
Materials and supplies	5,666
Total operating expenses.	62,120
Operating income/change in net assets.	1,553
Net assets at beginning of year	13,360
Net assets at end of year.	\$ 14,913

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, 2011

	Business-Type Activities
	Non-Major Enterprise Fund
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 63,673
Cash payments for personal services.	(57,666)
Cash payments for materials and supplies	(5,466)
Net cash provided by operating activities.	541
Cash and cash equivalents at beginning of year	21,227
Cash and cash equivalents at end of year	\$ 21,768
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,553
Changes in assets and liabilities:	
Increase in accounts payable	200
Decrease in accrued wages and benefits	(1,519)
Decrease in intergovernmental payable.	(47)
Increase in pension obligation payable.	354
Net cash provided by operating activities.	\$ 541

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 69,344	\$ 42,504
Total assets.	69,344	\$ 42,504
Liabilities:		
Accounts payable.	-	\$ 3,738
Due to students.	-	38,766
Total liabilities	-	\$ 42,504
Net assets:		
Held in trust for scholarships	69,344	
Total net assets	\$ 69,344	

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, 2011

	Private Purpose Trust
Additions:	
Interest.	\$ 1,278
Total additions.	1,278
Deductions:	
Scholarships awarded	2,313
Change in net assets.	(1,035)
Net assets at beginning of year	70,379
Net assets at end of year.	\$ 69,344

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, 2011**

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 ranks as the 489th largest by enrollment among the 918 public and community schools in the State of Ohio. The District employs 72 certified employees and 40 non-certified employees to provide services to approximately 954 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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011, but which were levied to finance fiscal year 2012 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 the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2011, 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 2011 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 2011.
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 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011.
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. On the governmental fund financial statements, encumbrances outstanding at year-end (not already recorded in accounts payable) are reported as a reservation of fund balance. A reserve for encumbrances is not reported on government-wide financial statements.

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 2011, 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, 2011**

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

The District has invested funds in STAR Ohio during fiscal year 2011. 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, 2011.

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 2011 amounted to \$36,999 which includes \$11,245 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, 2011

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>	<u>Governmental Activities 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 or any age with 30 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. The District has also recorded a liability for all employees with at least 20 years of service.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 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, 2011

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, notes, capital leases and lease-purchase agreements 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, 2011**

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. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Parochial Schools

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

P. 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.

Q. Interfund Activity

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

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

R. 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 2011.

S. 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.

T. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2011, the balance in the budget stabilization reserve was \$87,102. This amount is included in unassigned fund balance of the general fund and in unrestricted net assets on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 2,166,123	\$ 527,655	\$ 432,007	\$ 3,125,785
Fund reclassifications:				
Special trust fund	796	-	(796)	-
Uniform school supplies fund	19,376	-	(19,376)	-
Public school support fund	<u>11,385</u>	<u>-</u>	<u>(11,385)</u>	<u>-</u>
Total fund reclassifications	<u>31,557</u>	<u>-</u>	<u>(31,557)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 2,197,680</u>	<u>\$ 527,655</u>	<u>\$ 400,450</u>	<u>\$ 3,125,785</u>

The fund reclassifications did not have an effect on net assets as previously reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 34
IDEA Part-B	10,479
Title I	12,475
IDEA Part-B - preschool stimulus	2,324
Improving teacher quality	4,866

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;

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

At June 30, 2011, 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, 2011, the carrying amount of all District deposits, including \$63,178 of non-negotiable certificates of deposit, was \$1,031,819 (exclusive of the repurchase agreement reported as an "investment" below). Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$851,456 of the District's bank balance of \$1,126,456 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, 2011

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, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase agreement	\$ 1,679,966	\$ 1,679,966
STAR Ohio	<u>101,473</u>	<u>101,473</u>
Total	<u>\$ 1,781,439</u>	<u>\$ 1,781,439</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 federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$1,679,966 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase agreement	\$ 1,679,966	94.30
STAR Ohio	<u>101,473</u>	<u>5.70</u>
Total	<u>\$ 1,781,439</u>	<u>100.00</u>

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, 2011:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 1,031,819	
Investments	1,781,439	
Cash on hand	<u>2,245</u>	
Total	<u>\$ 2,815,503</u>	
<u>Cash and investments per statement of net assets</u>		
Governmental activities	\$ 2,681,887	
Business-type activities	21,768	
Private-purpose trust fund	69,344	
Agency fund	<u>42,504</u>	
Total	<u>\$ 2,815,503</u>	

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2011 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	Nonmajor governmental funds	<u>\$ 24,970</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, 2011

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Interfund transfers for the fiscal year 2011 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Bond retirement fund	\$ 39,184
Nonmajor governmental funds	6,250
Total	\$ 45,434
 <u>Transfers from nonmajor governmental fund to:</u>	
Bond retirement fund	\$ 323,033

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. The transfer to the bond retirement fund from the permanent improvement fund (a nonmajor governmental fund) in the amount of \$323,033 was made during fiscal year 2011 to make principal and interest payments on the lease purchase agreement out of the bond retirement fund.

All transfers made in fiscal year 2011 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, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Union and Madison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$586,215 in the general fund and \$212,037 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$715,792 in the general fund and \$105,227 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.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 179,321,410	96.84	\$ 178,988,190	97.10
Public utility personal	<u>5,854,070</u>	<u>3.16</u>	<u>5,346,460</u>	<u>2.90</u>
Total	<u>\$ 185,175,480</u>	<u>100.00</u>	<u>\$ 184,334,650</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$41.60		\$41.40	
Bond	4.90		4.40	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts, 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	\$ 6,299,952
Accounts	14,368
Intergovernmental	142,367
Accrued interest	<u>65</u>
Total receivables	<u>\$ 6,456,752</u>

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

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 \$1,676,707 and permanent improvement fund (a nonmajor governmental fund) in the amount of \$419,483 for fiscal year 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL ASSETS

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

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 80,849	\$ -	\$ -	\$ 80,849
Construction in progress	231,497	69,669	(294,866)	6,300
Total capital assets, not being depreciated	<u>312,346</u>	<u>69,669</u>	<u>(294,866)</u>	<u>87,149</u>
Capital assets, being depreciated:				
Land improvements	1,046,738	-	-	1,046,738
Building/improvements	17,786,140	325,993	(7,914)	18,104,219
Furniture/equipment	2,248,231	164,273	(447,185)	1,965,319
Vehicles	1,277,593	-	(151,476)	1,126,117
Total capital assets, being depreciated	<u>22,358,702</u>	<u>490,266</u>	<u>(606,575)</u>	<u>22,242,393</u>
Less: accumulated depreciation				
Land improvements	(984,693)	(3,963)	-	(988,656)
Building/improvements	(3,173,507)	(298,043)	1,353	(3,470,197)
Furniture/equipment	(1,030,802)	(124,578)	239,224	(916,156)
Vehicles	(854,684)	(56,667)	151,476	(759,875)
Total accumulated depreciation	<u>(6,043,686)</u>	<u>(483,251)</u>	<u>392,053</u>	<u>(6,134,884)</u>
Governmental activities capital assets, net	<u>\$ 16,627,362</u>	<u>\$ 76,684</u>	<u>\$ (509,388)</u>	<u>\$ 16,194,658</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 198,388
Special	17,842
Support Services:	
Pupil	28,542
Instructional staff	38,587
Board of education	172
Administration	37,523
Fiscal	557
Operations and maintenance	67,213
Pupil transportation	60,021
Operation of non-instructional	1,417
Food service operations	28,117
Extracurricular	4,872
Total depreciation expense	<u>\$ 483,251</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011 was \$56,555, leaving a current book value of \$56,556. A liability in the amount of the present value of minimum lease payments has been recorded in the statement of net assets. During fiscal year 2011, principal and interest payments of \$26,069 and \$1,691, respectively, were paid from the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	<u>\$ 6,941</u>
Total minimum lease payments	6,941
Less: amount representing interest	<u>(92)</u>
Total	<u><u>\$ 6,849</u></u>

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, 2011. Accumulated depreciation as of June 30, 2011 was \$239,460, leaving a current book value of \$984,611. A liability in the amount of the present value of the future minimum lease payments has been recorded in the statement of net assets. During fiscal year 2011, principal and interest payments of \$300,000 and \$23,032, 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, 2011

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a summary of the District's future minimum annual payments required under the lease-purchase agreement and the present value of the future minimum annual lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 265,582
Total minimum lease payments	265,582
Less: amount representing interest	<u>(10,582)</u>
Total	<u>\$ 255,000</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. The District's governmental activities long-term obligations activity during fiscal year 2011 consisted of the following:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2011</u>	<u>Due Within</u>
					<u>One Year</u>
General obligation bonds:					
<u>Series 2006, facilities improvement</u>					
Current interest serial bonds	\$ 10,625,000	\$ -	\$ (300,000)	\$ 10,325,000	\$ 315,000
Capital appreciation bonds	210,062	-	-	210,062	-
Accreted interest	191,666	74,871	-	266,537	-
Total G.O. Bonds	<u>11,026,728</u>	<u>74,871</u>	<u>(300,000)</u>	<u>10,801,599</u>	<u>315,000</u>
Other long-term obligations:					
Energy conservation notes	144,000	-	(33,000)	111,000	35,000
Capital lease payable	32,918	-	(26,069)	6,849	6,849
Lease purchase payable	555,000	-	(300,000)	255,000	255,000
Total other long-term obligations	<u>731,918</u>	<u>-</u>	<u>(359,069)</u>	<u>372,849</u>	<u>296,849</u>
Compensated absences:					
Vacation leave	37,189	21,558	(17,056)	41,691	41,691
Severance	333,527	90,242	(44,405)	379,364	64,255
Total compensated absences	<u>370,716</u>	<u>111,800</u>	<u>(61,461)</u>	<u>421,055</u>	<u>105,946</u>
Total	12,129,362	<u>\$ 186,671</u>	<u>\$ (720,530)</u>	11,595,503	<u>\$ 717,795</u>
Add: unamortized premium on bonds	<u>325,570</u>			<u>311,667</u>	
Total on statement of net assets	<u>\$ 12,454,932</u>			<u>\$ 11,907,170</u>	

Compensated absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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.

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 at June 30, 2010, 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 \$266,537 has been included on the statement of net assets at June 30, 2011.

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
2012	\$ 315,000	\$ 445,534	\$ 760,534	\$ -	\$ -	\$ -
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 - 2021	1,850,000	1,947,884	3,797,884	-	-	-
2022 - 2026	2,275,000	1,509,231	3,784,231	-	-	-
2027 - 2031	2,820,000	964,999	3,784,999	-	-	-
2032 - 2035	2,740,000	253,350	2,993,350	-	-	-
Total	\$10,325,000	\$ 6,832,434	\$17,157,434	\$ 210,062	\$ 809,938	\$ 1,020,000

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, 2011

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>
2012	\$ 35,000	\$ 4,535	\$ 39,535
2013	37,000	2,789	39,789
2014	<u>39,000</u>	<u>946</u>	<u>39,946</u>
Total	<u>\$ 111,000</u>	<u>\$ 8,270</u>	<u>\$ 119,270</u>

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, 2011, are a voted debt margin of \$6,766,927 (including available funds of \$711,870) and an unvoted debt margin of \$184,335.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Worker's Compensation

For fiscal year 2011, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP.

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

C. Employee Medical Insurance

The District has established limited risk health, dental and life insurance programs for its employees. The District is a member of the 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 "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 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, 2011, 2010 and 2009 were \$159,620, \$170,539 and \$123,394, respectively; 61.59 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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 2011, 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, 2011, 2010 and 2009 were \$623,438, \$599,192 and \$582,440, respectively; 83.02 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$40,757 made by the District and \$29,112 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, 2011, 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, 2011**

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 2011 was \$96.40 and 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 "*Media/Financial Reports*".

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 2011, 1.43 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 2011, 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, 2011, 2010 and 2009 were \$39,651, \$26,462 and \$83,311, respectively; 61.59 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$10,272, \$10,142 and \$10,181, respectively; 61.59 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011, 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, 2011, 2010 and 2009 were \$47,957, \$46,092 and \$44,803, respectively; 83.02 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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, 2011

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	\$ (321,506)
Net adjustment for revenue accruals	(103,328)
Net adjustment for expenditure accruals	67,808
Net adjustment for other sources/uses	16,902
Funds budgeted elsewhere *	603
Adjustment for encumbrances	55,969
GAAP basis	\$ (283,552)

*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

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

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - SET-ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	149,648	149,648
Current year qualifying expenditures	(210,697)	(422,358)
Excess qualified expenditures from prior years	<u>(442,447)</u>	<u>-</u>
Total	<u>\$ (503,496)</u>	<u>\$ (272,710)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

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>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 37,736
Other governmental	<u>71,898</u>
Total	<u>\$ 109,634</u>

SUPPLEMENTARY DATA

**FAIRBANKS LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2011	\$ 20,595	\$ 20,595
(D)(E) National School Lunch Program - Food Donation	10.555	2011	21,582	21,582
(C)(D) National School Lunch Program	10.555	2011	94,081	94,081
Total National School Lunch Program			115,663	115,663
Total U.S. Department of Agriculture and Child Nutrition Cluster			136,258	136,258
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Grant Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2010	7,249	7,249
(F) Title I Grants to Local Educational Agencies	84.010	2011	62,353	62,353
Total Title I Grants to Local Educational Agencies			69,602	69,602
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	14,425	15,161
Total Title I Grant Cluster			84,027	84,763
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2010	6,160	6,160
(G) Special Education_Grants to States	84.027	2011	178,218	178,218
Total Special Education_Grants to States			184,378	184,378
(G) Special Education_Preschool Grants	84.173	2011	4,234	4,234
(G) ARRA - Special Education_Grants to States, Recovery Act	84.391	2010	10,759	7,475
(G) ARRA - Special Education_Grants to States, Recovery Act	84.391	2011	67,547	67,547
Total ARRA Special Education_Grants to States			78,306	75,022
(G) ARRA - Special Education_Preschool Grants, Recovery Act	84.392	2011	3,197	5,522
Total Special Education Grant Cluster			270,115	269,156
Safe and Drug-Free Schools and Communities_State Grants	84.186	2011	45	-
Education Technology State Grants	84.318	2011	41	41
Improving Teacher Quality State Grants	84.367	2010	-	1,737
Improving Teacher Quality State Grants	84.367	2011	15,963	19,194
Total Improving Teacher Quality State Grants			15,963	20,931
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	154,935	154,935
Total U.S. Department of Education			525,126	529,826
Total Federal Financial Assistance			\$ 661,384	\$ 666,084

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Fairbanks Local School District
11158 State Route 38
Milford Center, OH 43045-9764

To the Board of Education:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, Union County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Fairbanks Local School District's basic financial statements and have issued our report thereon dated December 14, 2011. We noted that the Fairbanks Local School District adopted Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fairbanks Local School 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 Fairbanks Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Fairbanks Local School 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 Fairbanks Local School 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.

Board of Education
Fairbanks Local School District

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 14, 2011



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Fairbanks Local School District
11158 State Route 38
Milford Center, Ohio 43045-9764

To the Board of Education:

Compliance

We have audited the compliance of the Fairbanks Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of the Fairbanks Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Fairbanks Local School District's major federal programs. The Fairbanks Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Fairbanks Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those 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 Fairbanks Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Fairbanks Local School District's compliance with those 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 each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The Fairbanks Local School 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 Fairbanks Local School 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 Fairbanks Local School District's internal control over compliance.

Board of Education
Fairbanks Local School District

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 the management and Board of Education of the Fairbanks Local School District, federal awarding agencies and pass-through entities, and others within the Fairbanks Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
December 14, 2011

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

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

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Cluster: Special Education - Grants to States, CFDA #84.027, Special Education - Preschool Grants, CFDA #84.173, ARRA - Special Education_Grants to States, Recovery Act, CFDA #84.391, ARRA - Special Education_Preschool Grants, Recovery Act, CFDA #84.392, ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Applying Agreed-Upon Procedure

Fairbanks Local School District
Union County
11158 State Route 38
Milford Center, Ohio 43045-9764

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 14, 2011



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 17, 2012**