

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

AARON S. JOHNSON, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Fairbanks Local School District, Union County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 17, 2010

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15 - 16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	21
Statement of Net Assets - Proprietary Fund	22
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	23
Statement of Cash Flows - Proprietary Fund.....	24
Statement of Fiduciary Net Assets - Fiduciary Funds	25
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	26
Notes to the Basic Financial Statements.....	27 - 56
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	57 - 58
Status of Prior Audit Findings	59



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fairbanks Local School District, Union County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Fairbanks Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fairbanks Local School District, Union County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of Fairbanks Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Julian & Grube, Inc.
December 18, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009. 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 2009 are as follows:

- In total, net assets increased \$73,584. Net assets of governmental activities increased \$61,136, which represents a 0.96% increase from 2008. Net assets of business-type activities increased \$12,448 from 2008.
- For governmental funds, general revenues accounted for \$10,616,451, or 91.03% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,046,607, or 8.97%, of total revenues of \$11,663,058.
- The District had \$11,601,922 in expenses related to governmental activities; only \$1,046,607 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 \$10,616,451 were adequate to provide for the programs.
- The District's major governmental funds are the general fund, bond retirement fund and the building fund. The general fund had \$9,533,571 in revenues and other financing sources and \$9,221,176 in expenditures and other financing uses. The general fund's fund balance increased \$312,395 from a balance of \$1,753,284 to \$2,065,679.
- The bond retirement fund had \$1,222,194 in revenues and other financing sources and \$1,103,988 in expenditures. The bond retirement fund's fund balance increased \$118,206 from a balance of \$326,059 to \$444,265.
- The building fund had \$146,000 in revenues and other financing sources and \$4,691,862 in expenditures. The building fund's fund balance decreased \$4,545,862 from a balance of \$5,001,785 to \$455,923.
- Net assets for the District's enterprise fund increased \$12,448. The Fairbanks Elementary Extended Day Program (F.E.E.D. Program), a nonmajor enterprise fund, had \$85,543 in operating revenues and \$73,095 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, bond retirement fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

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 2009?" 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 14-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. 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, bond retirement fund and the building fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 17-21 of this report.

Proprietary Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-56 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 fiscal years 2009 and 2008.

Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
<u>Assets</u>						
Current assets	\$ 9,536,325	\$ 14,522,909	\$ 19,178	\$ 1,173	\$ 9,555,503	\$ 14,524,082
Capital assets, net	<u>15,867,514</u>	<u>12,294,727</u>	<u>-</u>	<u>-</u>	<u>15,867,514</u>	<u>12,294,727</u>
Total assets	<u>25,403,839</u>	<u>26,817,636</u>	<u>19,178</u>	<u>1,173</u>	<u>25,423,017</u>	<u>26,818,809</u>
<u>Liabilities</u>						
Current liabilities	5,989,781	6,828,201	8,223	2,666	5,998,004	6,830,867
Long-term liabilities	<u>12,981,559</u>	<u>13,618,072</u>	<u>-</u>	<u>-</u>	<u>12,981,559</u>	<u>13,618,072</u>
Total liabilities	<u>18,971,340</u>	<u>20,446,273</u>	<u>8,223</u>	<u>2,666</u>	<u>18,979,563</u>	<u>20,448,939</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	3,346,991	2,989,372	-	-	3,346,991	2,989,372
Restricted	1,390,179	1,894,318	-	-	1,390,179	1,894,318
Unrestricted (deficit)	<u>1,695,329</u>	<u>1,487,673</u>	<u>10,955</u>	<u>(1,493)</u>	<u>1,706,284</u>	<u>1,486,180</u>
Total net assets	<u>\$ 6,432,499</u>	<u>\$ 6,371,363</u>	<u>\$ 10,955</u>	<u>\$ (1,493)</u>	<u>\$ 6,443,454</u>	<u>\$ 6,369,870</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$6,443,454. \$6,432,499 of this total is in governmental activities, and \$10,955 is in business-type activities.

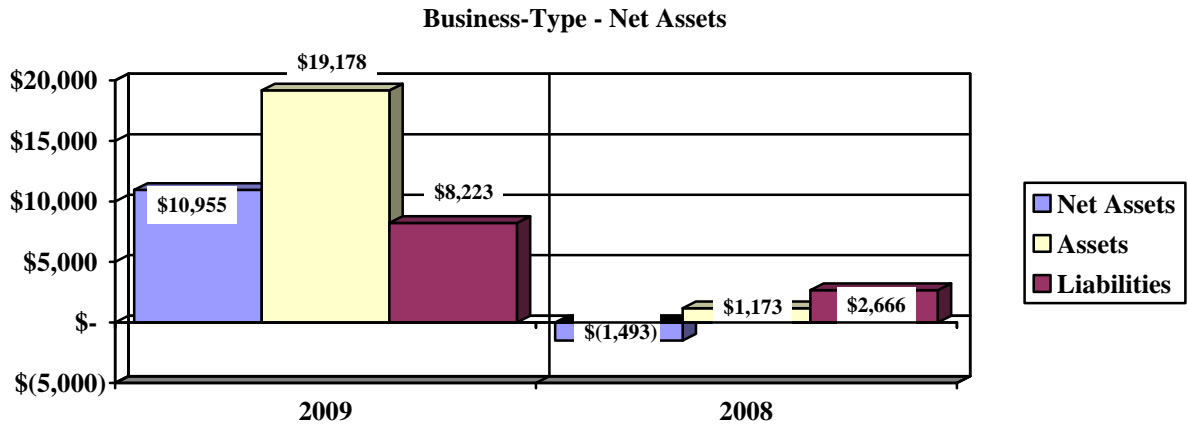
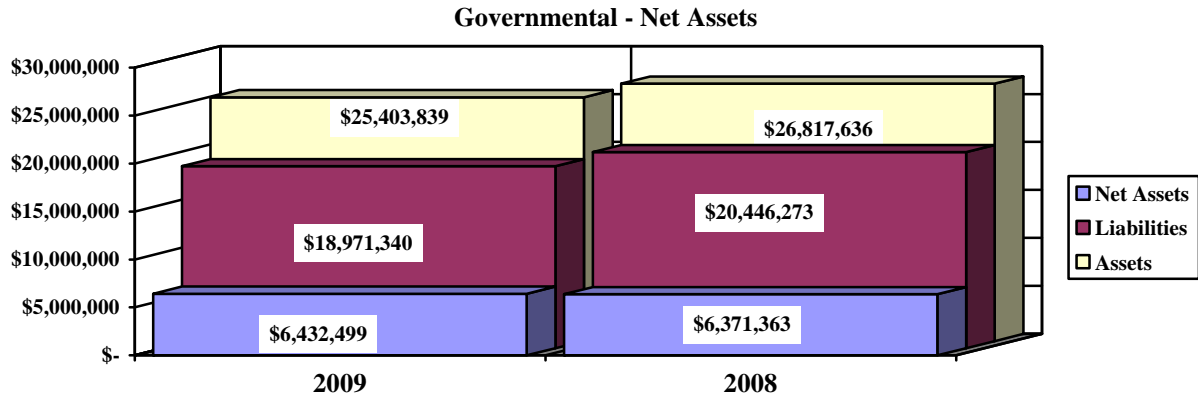
Capital assets reported on the government-wide statements represented 62.46% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District used current assets during fiscal year 2009 to complete construction of a new school building. This activity is the reason for the decrease in current assets and the increase in capital assets. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$3,346,991 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, \$1,390,179, 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, \$1,695,329 is unrestricted in use.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graphs below show the District's governmental activities and business-type activities assets, liabilities and net assets at June 30, 2009 and 2008:



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The table below shows the change in net assets for governmental activities and business-type activities fiscal years 2009 and 2008:

Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 312,625	\$ 426,149	\$ 85,543	\$ 46,289	\$ 398,168	\$ 472,438
Operating grants and contributions	717,661	766,440	-	-	717,661	766,440
Capital grants and contributions	16,321	14,686	-	-	16,321	14,686
General revenues:						
Taxes	7,375,967	7,329,508	-	-	7,375,967	7,329,508
Grants and entitlements	3,009,443	2,858,008	-	-	3,009,443	2,858,008
Investment earnings	164,906	603,597	-	-	164,906	603,597
Other	<u>66,135</u>	<u>74,317</u>	<u>-</u>	<u>-</u>	<u>66,135</u>	<u>74,317</u>
Total revenues	<u>11,663,058</u>	<u>12,072,705</u>	<u>85,543</u>	<u>46,289</u>	<u>11,748,601</u>	<u>12,118,994</u>
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	4,666,557	4,540,324	-	-	4,666,557	4,540,324
Special	878,154	786,186	-	-	878,154	786,186
Vocational	40,653	35,254	-	-	40,653	35,254
Other	61,713	54,729	-	-	61,713	54,729
Support services:						
Pupil	731,079	664,310	-	-	731,079	664,310
Instructional staff	526,930	520,044	-	-	526,930	520,044
Board of education	103,992	68,967	-	-	103,992	68,967
Administration	933,678	891,326	-	-	933,678	891,326
Fiscal	426,488	360,360	-	-	426,488	360,360
Operations and maintenance	1,055,436	1,001,586	-	-	1,055,436	1,001,586
Pupil transportation	830,235	886,150	-	-	830,235	886,150
Central	9,425	9,000	-	-	9,425	9,000
Food service	259,523	198,066	-	-	259,523	198,066
Operation of non-instructional services	170,858	154,468	-	-	170,858	154,468
Extracurricular activities	322,723	299,330	-	-	322,723	299,330
Interest and fiscal charges	584,478	610,357	-	-	584,478	610,357
F.E.E.D. Program	<u>-</u>	<u>-</u>	<u>73,095</u>	<u>42,124</u>	<u>73,095</u>	<u>42,124</u>
Total expenses	<u>11,601,922</u>	<u>11,080,457</u>	<u>73,095</u>	<u>42,124</u>	<u>11,675,017</u>	<u>11,122,581</u>
Changes in net assets	61,136	992,248	12,448	4,165	73,584	996,413
Net assets at beginning of year	<u>6,371,363</u>	<u>5,379,115</u>	<u>(1,493)</u>	<u>(5,658)</u>	<u>6,369,870</u>	<u>5,373,457</u>
Net assets at end of year	<u>\$ 6,432,499</u>	<u>\$ 6,371,363</u>	<u>\$ 10,955</u>	<u>\$ (1,493)</u>	<u>\$ 6,443,454</u>	<u>\$ 6,369,870</u>

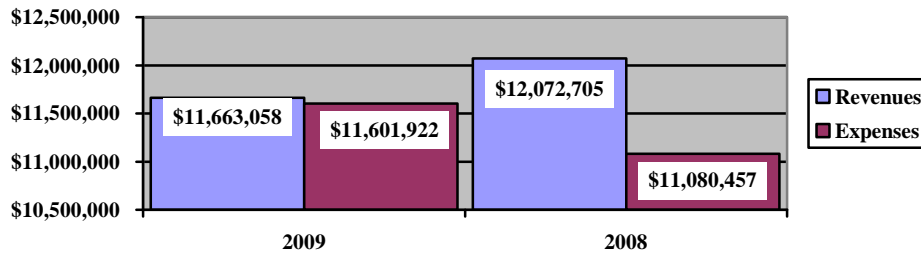
**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Governmental Activities

Net assets of the District's governmental activities increased \$61,136. During 2009, total governmental expenses of \$11,601,922 were offset by program revenues of \$1,046,607 and general revenues of \$10,616,451. Program revenues supported 9.02% 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 89.05% of total governmental revenue. Real estate property is reappraised every six years. The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

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 those 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 2009 and 2008

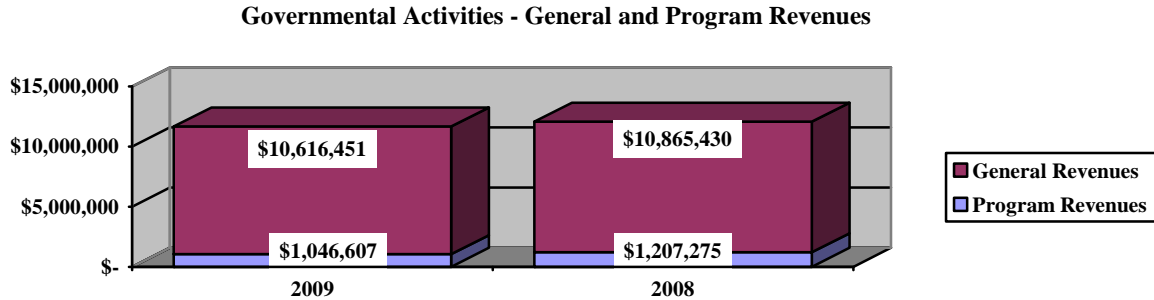
	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses:				
Instruction:				
Regular	\$ 4,666,557	\$ 4,583,494	\$ 4,540,324	\$ 4,320,227
Special	878,154	624,758	786,186	585,938
Vocational	40,653	18,111	35,254	4,734
Other	61,713	61,713	54,729	54,729
Support services:				
Pupil	731,079	664,402	664,310	492,899
Instructional staff	526,930	433,670	520,044	430,036
Board of education	103,992	103,992	68,967	68,967
Administration	933,678	933,678	891,326	885,206
Fiscal	426,488	426,488	360,360	360,360
Operations and maintenance	1,055,436	1,055,436	1,001,586	998,849
Pupil transportation	830,235	755,879	886,150	834,715
Central	9,425	425	9,000	-
Food service	259,523	67,324	198,066	11,207
Operation of non-instructional services	170,858	2,112	154,468	3,280
Extracurricular activities	322,723	239,355	299,330	211,678
Interest and fiscal charges	584,478	584,478	610,357	610,357
Total expenses	\$ 11,601,922	\$ 10,555,315	\$ 11,080,457	\$ 9,873,182

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The dependence upon tax revenues during fiscal year 2009 for governmental activities is apparent, as 93.64% of 2009 instruction activities are supported through taxes and other general revenues. General revenue support for all governmental activities was 90.98% in 2009.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.



Business-Type Activities

Business-type activities include the F.E.E.D. Program operation. This program had operating revenues of \$85,543 and operating expenses of \$73,095 for fiscal year 2009. 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 17) reported a combined fund balance of \$3,349,673, which is lower than last year's balance of \$7,373,086. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase/ (Decrease)
General	\$ 2,065,679	\$ 1,753,284	\$ 312,395
Bond retirement	444,265	326,059	118,206
Building	455,923	5,001,785	(4,545,862)
Other governmental	<u>383,806</u>	<u>291,958</u>	<u>91,848</u>
Total	<u>\$ 3,349,673</u>	<u>\$ 7,373,086</u>	<u>\$ (4,023,413)</u>

The fund balance of the other governmental funds increased primarily due to a decrease in facilities acquisition and construction.

Fund balance in the building fund decreased as building expenditures exceeded revenues due to an ongoing construction project in the fiscal year.

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 \$343,585 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, 2009

General Fund

The District's general fund balance increased \$312,395 during fiscal year 2009. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2009</u>	<u>2008</u>	<u>Increase</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,200,419	\$ 6,135,316	\$ 65,103	1.06 %
Tuition	41,452	158,688	(117,236)	(73.88) %
Interest earnings	54,388	102,791	(48,403)	(47.09) %
Intergovernmental	3,111,853	2,952,828	159,025	5.39 %
Other revenues	<u>68,553</u>	<u>55,608</u>	<u>12,945</u>	23.28 %
Total	<u>\$ 9,476,665</u>	<u>\$ 9,405,231</u>	<u>\$ 71,434</u>	0.76 %
<u>Expenditures</u>				
Instruction	\$ 5,006,708	\$ 5,135,887	\$ (129,179)	(2.52) %
Support services	3,906,635	4,092,862	(186,227)	(4.55) %
Extracurricular activities	217,632	208,325	9,307	4.47 %
Debt service	<u>27,760</u>	<u>27,760</u>	<u>-</u>	- %
Total	<u>\$ 9,158,735</u>	<u>\$ 9,464,834</u>	<u>\$ (306,099)</u>	(3.23) %

The tuition revenues decreased as a result of a decrease in open enrollment. Interest earnings decreased due to decreasing interest rates during the year. Other revenues increased due to an increase in transportation fees. All other revenues and expenses remained consistent with fiscal year 2008.

Bond Retirement Fund

The bond retirement fund had \$1,222,194 in revenues and other financing sources and \$1,103,988 in expenditures. During fiscal year 2009, the bond retirement fund's fund balance increased \$118,206 from \$326,059 to \$444,265.

Building Fund

The building fund had \$146,000 in revenues and other financing sources and \$4,691,862 in expenditures. During fiscal year 2009, the building fund's fund balance decreased \$4,545,862 from \$5,001,785 to \$455,923.

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 2009, 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

For the general fund, final budgeted revenues and other financing sources were \$9,238,303. This was \$922,367 higher than the original budgeted revenues of \$8,315,936. Actual revenues and other financing sources for fiscal 2009 was \$9,615,597, which is \$377,294 higher than final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$9,946,631 were increased to \$9,915,865 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$9,407,715, which is \$508,150 lower than the final appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the District had \$15,867,514 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This total amount was reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 80,849	\$ 80,849
Construction in progress	-	7,848,125
Land improvements	62,478	39,521
Building and improvements	14,167,652	3,059,545
Furniture and equipment	1,209,963	859,747
Vehicles	<u>346,572</u>	<u>406,940</u>
Total	<u>\$ 15,867,514</u>	<u>\$ 12,294,727</u>

The overall increase in capital assets of \$3,572,787 is due to capital outlays of \$4,228,638 exceeding depreciation expense of \$552,420 and disposals of \$103,431 (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, 2009 the District had \$174,000 in energy conservation notes, \$11,243,619 in general obligation bonds, \$56,988 in capital lease and \$835,000 in lease purchase payable outstanding. Of this total, \$614,070 is due within one year and \$11,695,537 is due within greater than one year. The following table summarizes the District's debt obligations outstanding at June 30, 2009 and 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Outstanding Debt, at Year End	
	Governmental Activities 2009	Governmental Activities 2008
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 11,243,619	\$ 11,455,424
Energy conservation notes	174,000	203,000
Capital lease payable	56,988	79,213
Lease purchase payable	<u>835,000</u>	<u>1,095,000</u>
Total	<u>\$ 12,309,607</u>	<u>\$ 12,832,637</u>

At June 30, 2009 the District's overall legal debt margin was \$4,716,871 with an unvoted debt margin of \$170,974.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The district passed a 5-year emergency levy renewal in November 2008. The levy was increased from \$1,339,000 to \$1,679,000, and will start January 2010.

Budget reductions as well as a few significant "one-time" events had a positive impact on the fiscal year-end 2009 financial results as general fund cash balance increased 15.52% from \$1,814,017 to \$2,095,549.

State aid continues to be set based on previous year's amount, with a 1% reduction in place for 2010. Although a new state funding model has been established, short-term aid will be based on previous year, with reductions of 1% for 2010, and 2% for 2011. State aid accounts for approximately 20% of general fund revenues.

Income tax revenues increased 5.6% to \$1,334,071 on a cash basis. This trend is not expected to continue as the Department of Taxation continues to report declining income tax receipts.

The short-term outlook is stable from sufficient cash reserves and the November levy passage. Much of the longer-term (3-5 years) will depend on overall economic stability and growth, as well as the State's ability to fully fund education.

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, 1158 State Route 38, Milford Center, Ohio 43045.

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,314,238	\$ 19,178	\$ 3,333,416
Cash in segregated accounts	261,592	-	261,592
Receivables:			
Taxes	5,789,969	-	5,789,969
Intergovernmental	19,533	-	19,533
Accrued interest.	1,622	-	1,622
Unamortized bond issuance cost	148,554	-	148,554
Materials and supplies inventory	817	-	817
Capital assets:			
Land	80,849	-	80,849
Depreciable capital assets, net	15,786,665	-	15,786,665
Capital assets, net.	<u>15,867,514</u>	<u>-</u>	<u>15,867,514</u>
 Total assets.	 <u>25,403,839</u>	 <u>19,178</u>	 <u>25,423,017</u>
Liabilities:			
Accounts payable.	43,475	-	43,475
Contracts payable.	88,809	-	88,809
Retainage payable	261,592	-	261,592
Accrued wages and benefits	796,575	4,977	801,552
Pension obligation payable.	231,662	2,894	234,556
Intergovernmental payable	74,841	352	75,193
Accrued interest payable	39,120	-	39,120
Unearned revenue.	4,453,707	-	4,453,707
Long-term liabilities:			
Due within one year.	649,281	-	649,281
Due in more than one year	12,332,278	-	12,332,278
 Total liabilities	 <u>18,971,340</u>	 <u>8,223</u>	 <u>18,979,563</u>
Net assets:			
Invested in capital assets, net of related debt.	3,346,991	-	3,346,991
Restricted for:			
Capital projects	781,100	-	781,100
Debt service.	413,609	-	413,609
Locally funded programs	440	-	440
State funded programs	4,273	-	4,273
Federally funded programs	973	-	973
Student activities	17,507	-	17,507
Other	172,277	-	172,277
Unrestricted	<u>1,695,329</u>	<u>10,955</u>	<u>1,706,284</u>
 Total net assets	 <u>\$ 6,432,499</u>	 <u>\$ 10,955</u>	 <u>\$ 6,443,454</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, 2009

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 4,666,557	\$ 65,902	\$ 17,161	\$ -
Special	878,154	12,447	240,949	-
Vocational	40,653	-	22,542	-
Other	61,713	-	-	-
Support services:				
Pupil	731,079	-	66,677	-
Instructional staff	526,930	-	93,260	-
Board of education	103,992	-	-	-
Administration	933,678	-	-	-
Fiscal	426,488	-	-	-
Operations and maintenance	1,055,436	-	-	-
Pupil transportation	830,235	39,071	18,964	16,321
Central	9,425	-	9,000	-
Operation of non-instructional:				
Food service operations	259,523	118,492	73,707	-
Other non-instructional services	170,858	-	168,746	-
Extracurricular activities	322,723	76,713	6,655	-
Interest and fiscal charges	584,478	-	-	-
Total governmental activities	<u>11,601,922</u>	<u>312,625</u>	<u>717,661</u>	<u>16,321</u>
Business-type activities:				
F.E.E.D. Program	73,095	85,543	-	-
Total business-type activities	<u>73,095</u>	<u>85,543</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 11,675,017</u>	<u>\$ 398,168</u>	<u>\$ 717,661</u>	<u>\$ 16,321</u>

General revenues:

Property taxes levied for:

General purposes

Debt service

School district income tax

Grants and entitlements not restricted

to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets (deficit) 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
\$ (4,583,494)	\$ -	\$ (4,583,494)
(624,758)	-	(624,758)
(18,111)	-	(18,111)
(61,713)	-	(61,713)
(664,402)	-	(664,402)
(433,670)	-	(433,670)
(103,992)	-	(103,992)
(933,678)	-	(933,678)
(426,488)	-	(426,488)
(1,055,436)	-	(1,055,436)
(755,879)	-	(755,879)
(425)	-	(425)
(67,324)	-	(67,324)
(2,112)	-	(2,112)
(239,355)	-	(239,355)
(584,478)	-	(584,478)
<u>(10,555,315)</u>	<u>-</u>	<u>(10,555,315)</u>
-	12,448	12,448
-	12,448	12,448
<u>(10,555,315)</u>	<u>12,448</u>	<u>(10,542,867)</u>
4,934,380	-	4,934,380
776,202	-	776,202
1,665,385	-	1,665,385
3,009,443	-	3,009,443
164,906	-	164,906
66,135	-	66,135
<u>10,616,451</u>	<u>-</u>	<u>10,616,451</u>
61,136	12,448	73,584
<u>6,371,363</u>	<u>(1,493)</u>	<u>6,369,870</u>
<u>\$ 6,432,499</u>	<u>\$ 10,955</u>	<u>\$ 6,443,454</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 2,009,503	\$ 341,414	\$ 544,732	\$ 331,487	\$ 3,227,136
Cash in segregated accounts.	-	-	261,592	-	261,592
Receivables:					
Taxes	5,015,834	632,340	-	141,795	5,789,969
Intergovernmental	-	-	-	19,533	19,533
Accrued interest	1,622	-	-	-	1,622
Interfund loan	14,818	-	-	-	14,818
Materials and supplies inventory	-	-	-	817	817
Restricted assets:					
Equity in pooled cash and cash equivalents	87,102	-	-	-	87,102
Total assets	<u>\$ 7,128,879</u>	<u>\$ 973,754</u>	<u>\$ 806,324</u>	<u>\$ 493,632</u>	<u>\$ 9,402,589</u>
Liabilities:					
Accounts payable	\$ 31,575	\$ -	\$ -	\$ 11,900	\$ 43,475
Contracts payable	-	-	88,809	-	88,809
Retainage payable	-	-	261,592	-	261,592
Accrued wages and benefits	759,711	-	-	36,864	796,575
Compensated absences payable	89	-	-	5,292	5,381
Pension obligation payable.	215,077	-	-	16,585	231,662
Intergovernmental payable.	69,408	-	-	5,433	74,841
Interfund loan payable	-	-	-	14,818	14,818
Deferred revenue.	54,658	8,464	-	18,934	82,056
Unearned revenue	<u>3,932,682</u>	<u>521,025</u>	<u>-</u>	<u>-</u>	<u>4,453,707</u>
Total liabilities	<u>5,063,200</u>	<u>529,489</u>	<u>350,401</u>	<u>109,826</u>	<u>6,052,916</u>
Fund balances:					
Reserved for encumbrances	56,510	-	709,201	15,029	780,740
Reserved for materials and supplies inventory.	-	-	-	817	817
Reserved for debt service.	-	341,414	-	-	341,414
Reserved for property tax unavailable for appropriation	604,690	102,851	-	-	707,541
Reserved for BWC refunds	87,102	-	-	-	87,102
Unreserved, undesignated (deficit), reported in:					
General fund	1,317,377	-	-	-	1,317,377
Special revenue funds.	-	-	-	44,371	44,371
Capital projects funds.	-	-	(253,278)	323,589	70,311
Total fund balances	<u>2,065,679</u>	<u>444,265</u>	<u>455,923</u>	<u>383,806</u>	<u>3,349,673</u>
Total liabilities and fund balances	<u>\$ 7,128,879</u>	<u>\$ 973,754</u>	<u>\$ 806,324</u>	<u>\$ 493,632</u>	<u>\$ 9,402,589</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, 2009

Total governmental fund balances		\$ 3,349,673
<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.		15,867,514
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 61,541	
Intergovernmental receivable	18,934	
Accrued interest receivable	1,581	
Total		82,056
In the statement of net assets interest is accrued on outstanding bonds, whereas in governmental funds, interest is accrued when due		(39,120)
Unamortized premiums on bond issuance are not recognized in the funds.		(339,473)
Unamortized bond issuance costs are not recognized in the funds.		148,554
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	327,098	
General obligation bonds payable	11,243,619	
Capital lease payable	56,988	
Lease purchase payable	835,000	
Energy conservation note payable	174,000	
Total		(12,636,705)
Net assets of governmental activities		\$ 6,432,499

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, 2009

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 6,200,419	\$ 777,285	\$ -	\$ 416,346	\$ 7,394,050
Tuition.	41,452	-	-	-	41,452
Transportation fees.	39,071	-	-	-	39,071
Earnings on investments	54,388	-	108,932	477	163,797
Charges for services	-	-	-	118,492	118,492
Extracurricular	-	-	-	76,713	76,713
Classroom materials and fees.	-	-	-	36,897	36,897
Other local revenues	29,482	-	-	42,786	72,268
Intergovernmental - Intermediate.	2,638	-	-	500	3,138
Intergovernmental - State.	3,109,215	101,324	-	168,779	3,379,318
Intergovernmental - Federal	-	-	-	360,480	360,480
Total revenues	<u>9,476,665</u>	<u>878,609</u>	<u>108,932</u>	<u>1,221,470</u>	<u>11,685,676</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,184,946	-	-	57,278	4,242,224
Special.	724,229	-	-	95,745	819,974
Vocational.	38,602	-	-	-	38,602
Other.	58,931	-	-	-	58,931
Support services:					
Pupil.	561,884	-	-	103,458	665,342
Instructional staff	361,124	-	-	97,672	458,796
Board of education	98,478	-	-	-	98,478
Administration.	846,377	-	-	4,444	850,821
Fiscal.	379,370	15,070	-	9,235	403,675
Operations and maintenance	932,784	-	-	-	932,784
Pupil transportation.	726,618	-	-	-	726,618
Central	-	-	-	9,000	9,000
Operation of non-instructional services :					
Food service operations.	-	-	-	216,677	216,677
Other non-instructional services	-	-	-	168,050	168,050
Extracurricular activities	217,632	-	-	87,763	305,395
Facilities acquisition and construction	-	-	4,691,862	8,613	4,700,475
Debt service:					
Principal retirement	22,225	554,000	-	-	576,225
Interest and fiscal charges	5,535	534,918	-	-	540,453
Total expenditures	<u>9,158,735</u>	<u>1,103,988</u>	<u>4,691,862</u>	<u>857,935</u>	<u>15,812,520</u>
Excess of revenues over (under) expenditures.	<u>317,930</u>	<u>(225,379)</u>	<u>(4,582,930)</u>	<u>363,535</u>	<u>(4,126,844)</u>
Other financing sources (uses):					
Sale of capital assets	56,906	-	37,068	9,457	103,431
Transfers in	-	343,585	-	24,299	367,884
Transfers (out).	(62,441)	-	-	(305,443)	(367,884)
Total other financing sources (uses).	<u>(5,535)</u>	<u>343,585</u>	<u>37,068</u>	<u>(271,687)</u>	<u>103,431</u>
Net change in fund balances	312,395	118,206	(4,545,862)	91,848	(4,023,413)
Fund balances at beginning of year.	<u>1,753,284</u>	<u>326,059</u>	<u>5,001,785</u>	<u>291,958</u>	<u>7,373,086</u>
Fund balances at end of year	<u>\$ 2,065,679</u>	<u>\$ 444,265</u>	<u>\$ 455,923</u>	<u>\$ 383,806</u>	<u>\$ 3,349,673</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, 2009

Net change in fund balances - total governmental funds		\$ (4,023,413)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays expense exceeds depreciation in the current period accordingly.		
Capital asset additions	\$ 4,228,638	
Current year depreciation	(552,420)	
Total	3,676,218	3,676,218
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(103,431)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(18,083)	
Intergovernmental revenue	(5,992)	
Accrued interest	1,457	
Total	(22,618)	(22,618)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		576,225
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	1,350	
Accreted interest on "capital appreciation" bonds	(53,195)	
Amortization of bond issue costs	(6,084)	
Amortization of bond premiums	13,904	
Total	(44,025)	(44,025)
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.		
		2,180
Change in net assets of governmental activities		\$ 61,136

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 5,368,191	\$ 5,974,991	\$ 6,220,666	\$ 245,675
Tuition.	35,771	39,815	41,452	1,637
Transportation fees	51,771	39,986	39,071	(915)
Earnings on investments.	53,633	59,695	62,150	2,455
Other local revenues	25,442	28,318	29,482	1,164
Intergovernmental - Intermediate	2,276	2,534	2,638	104
Intergovernmental - State	2,693,387	2,997,838	3,121,101	123,263
Total revenues	8,230,471	9,143,177	9,516,560	373,383
Expenditures:				
Current:				
Instruction:				
Regular	4,388,926	4,372,586	4,253,797	118,789
Special.	774,296	771,413	728,162	43,251
Vocational.	38,731	38,587	35,812	2,775
Other.	57,161	56,948	58,528	(1,580)
Support services:				
Pupil.	594,656	592,442	548,036	44,406
Instructional staff	424,423	422,843	371,391	51,452
Board of education	126,185	125,715	121,054	4,661
Administration.	969,697	966,087	917,535	48,552
Fiscal	372,598	371,211	372,597	(1,386)
Operations and maintenance.	1,072,773	1,068,779	955,468	113,311
Pupil transportation	840,924	818,627	749,900	68,727
Extracurricular activities.	220,553	219,733	218,176	1,557
Total expenditures	9,880,923	9,824,971	9,330,456	494,515
Excess (deficiency) of revenues over (under) expenditures.	(1,650,452)	(681,794)	186,104	867,898
Other financing sources (uses):				
Refund of prior year expenditure.	28,793	28,831	28,846	15
Transfers (out)	(45,633)	(70,894)	(62,441)	8,453
Advances in.	11,464	12,760	13,285	525
Advances (out)	(20,075)	(20,000)	(14,818)	5,182
Sale of capital assets.	45,208	53,535	56,906	3,371
Total other financing sources (uses)	19,757	4,232	21,778	17,546
Net change in fund balance	(1,630,695)	(677,562)	207,882	885,444
Fund balance at beginning of year.	1,762,308	1,762,308	1,762,308	-
Prior year encumbrances appropriated	52,844	52,844	52,844	-
Fund balance at end of year	\$ 184,457	\$ 1,137,590	\$ 2,023,034	\$ 885,444

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Business-Type Activities
	Non-Major Enterprise Fund
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 19,178
Total assets	19,178
Liabilities:	
Current liabilities:	
Accrued wages and benefits	4,977
Pension obligation payable.	2,894
Intergovernmental payable	352
Total liabilities	8,223
Net assets:	
Unrestricted	10,955
Total net assets	\$ 10,955

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, 2009

	Business-Type Activities
	Non-Major Enterprise Fund
Operating revenues:	
Tuition and fees	\$ 85,543
Total operating revenues	85,543
Operating expenses:	
Personal services	65,195
Purchased services	1,383
Materials and supplies	6,517
Total operating expenses	73,095
Operating income/change in net assets	12,448
Net assets (deficit) at beginning of year. . .	(1,493)
Net assets at end of year.	\$ 10,955

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, 2009

	Business-Type Activities
	Non-Major Enterprise Fund
Cash flows from operating activities:	
Cash received from tuition and fees.	\$ 85,543
Cash payments for personal services	(58,919)
Cash payments for purchased services	(1,383)
Cash payments for materials and supplies.	(6,517)
Cash payments for other expenses.	(719)
	18,005
Net cash provided by operating activities	18,005
Cash and cash equivalents at beginning of year . . .	1,173
Cash and cash equivalents at end of year	\$ 19,178
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 12,448
Changes in liabilities:	
Increase in intergovernmental payable	122
Increase in accrued wages and benefits.	4,977
Increase in pension obligation payable.	458
	18,005
Net cash provided by operating activities	\$ 18,005

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Private-Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 69,459	\$ 45,208
Total assets.	69,459	\$ 45,208
Liabilities:		
Accounts payable.	-	\$ 6,025
Due to students	-	39,183
Total liabilities	-	\$ 45,208
Net assets:		
Held in trust for scholarships	69,459	
Total net assets	\$ 69,459	

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, 2009

	Private-Purpose Trust
Additions:	
Interest	\$ 2,749
Total additions.	2,749
Deductions:	
Scholarships awarded	3,071
Change in net assets	(322)
Net assets at beginning of year	69,781
Net assets at end of year.	\$ 69,459

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 488th largest by enrollment among the 922 public and community schools in the State of Ohio. The District employs 69 certified employees and 47 non-certified employees to provide services to approximately 985 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) Statements and Interpretations issued on or before November 30, 1989, to its governmental and proprietary activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB Statements and Interpretations 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 these FASB Statements and Interpretations. 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, 2009**

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.

Tolles Career & Technical Center (TCTC)

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

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. 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, 2009

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 all financial resources except those required to be accounted for 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.

Building fund - This fund is used to account for transactions associated with building construction and improvements.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by the building fund and trust funds; (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service and uniform school supplies operations.

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, 2009

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, 2009

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, 2009

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, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2009, 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 used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as donated commodities 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. The specific timetable for fiscal year 2009 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 2009.
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 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 2009.
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 2009, investments were limited to repurchase agreements, U.S. Government money market mutual funds, non-negotiable and 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 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, 2009**

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

The District has invested funds in STAR Ohio during fiscal year 2009. 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, 2009.

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 2009 amounted to \$54,388 which includes \$39,553 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 \$500. 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, 2009

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 50 years
Buildings/improvements	20 - 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 and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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, 2009 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, 2009**

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, capital leases and lease-purchase agreements are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, debt service, property taxes unavailable for appropriation and Bureau of Workers' Compensation (BWC) refunds. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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 special trust fund, uniform school supplies, public school support and monies restricted by State statute for budget stabilization.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

N. Parochial Schools

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

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include certain BWC refunds restricted in use by State statute. See Note 17 for details.

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 2009.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances/Net Assets

Fund balances/net assets at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 23,674
EMIS	62
Entry-teacher 2003-2004	52
Title VI-B	13,266
Title I	11,445
Title VI-R	416

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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/net assets result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2009, the District had \$1,550 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, 2009, the carrying amount of all District deposits was \$2,380,037 (exclusive of the repurchase agreement). Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,986,547 of the District's bank balance of \$2,574,516 was exposed to custodial credit risk as discussed below, while \$587,969 was covered by the FDIC.

At June 30, 2009, the District had \$261,592 in cash in segregated accounts for retainage related to the District's building project. This amount is included in the carrying amount of the District's deposits.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 176,782	\$ 176,782
Money market mutual funds	336,228	336,228
STAR Ohio	<u>815,078</u>	<u>815,078</u>
Total	<u>\$ 1,328,088</u>	<u>\$ 1,328,088</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 service rating. The federal agency securities that underlie the repurchase agreement and money market mutual funds 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 \$176,782 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.

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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 176,782	13.31
Money market mutual funds	336,228	25.32
STAR Ohio	<u>815,078</u>	<u>61.37</u>
Total	<u>\$ 1,328,088</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,380,037
Investments	1,328,088
Cash on hand	<u>1,550</u>
Total	<u>\$ 3,709,675</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,575,830
Business-type activities	19,178
Private-purpose trust fund	69,459
Agency fund	<u>45,208</u>
Total	<u>\$ 3,709,675</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 14,818</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.

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

- B.** Interfund transfers for the fiscal year ended June 30, 2009, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Bond retirement	\$ 38,142
Nonmajor governmental funds	<u>24,299</u>
Total	<u>\$ 62,441</u>
 Transfers from nonmajor governmental fund to:	
Bond retirement	
Total	<u>\$ 305,443</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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. Transfers to the bond retirement fund from the permanent improvement nonmajor governmental fund in the amount of \$305,443 were made during fiscal year 2009 for principal and interest payments on the lease purchase agreement.

All transfers made in fiscal year 2009 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 tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$604,690 in the general fund and \$102,851 in the bond retirement fund. These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$539,904 in the general fund and \$84,938 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 tangible personal property taxes which are measurable as of June 30, 2009 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 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 172,658,060	94.52	\$ 165,375,630	97.05
Public utility personal	5,430,820	2.97	5,027,330	2.95
Tangible personal property	<u>4,587,700</u>	<u>2.51</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 182,676,580</u>	<u>100.00</u>	<u>\$ 170,402,960</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$45.50		\$45.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 5,789,969
Intergovernmental	19,533
Accrued interest	<u>1,622</u>
Total receivables	<u>\$ 5,811,124</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - RECEIVABLES - (Continued)

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. 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 \$1,249,039 and permanent improvement fund (a nonmajor governmental fund) in the amount of \$416,346 for fiscal year 2009.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Governmental activities:	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 80,849	\$ -	\$ -	\$ 80,849
Construction in progress	<u>7,848,125</u>	<u>3,587,199</u>	<u>(11,435,324)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>7,928,974</u>	<u>3,587,199</u>	<u>(11,435,324)</u>	<u>80,849</u>
Capital assets, being depreciated:				
Land improvements	1,017,114	30,906	(4,938)	1,043,082
Building/improvements	5,762,437	11,503,198	(77,761)	17,187,874
Furniture/equipment	2,199,440	541,290	(318,157)	2,422,573
Vehicles	<u>1,130,039</u>	<u>1,369</u>	<u>-</u>	<u>1,131,408</u>
Total capital assets, being depreciated	<u>10,109,030</u>	<u>12,076,763</u>	<u>(400,856)</u>	<u>21,784,937</u>
Less: accumulated depreciation				
Land improvements	(977,593)	(7,949)	4,938	(980,604)
Building/improvements	(2,702,892)	(341,110)	23,780	(3,020,222)
Furniture/equipment	(1,339,693)	(141,624)	268,707	(1,212,610)
Vehicles	<u>(723,099)</u>	<u>(61,737)</u>	<u>-</u>	<u>(784,836)</u>
Total accumulated depreciation	<u>(5,743,277)</u>	<u>(552,420)</u>	<u>297,425</u>	<u>(5,998,272)</u>
Governmental activities capital assets, net	<u>\$ 12,294,727</u>	<u>\$ 15,111,542</u>	<u>\$ (11,538,755)</u>	<u>\$ 15,867,514</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 232,528
Special	20,694
Vocational	229
Support Services:	
Pupil	32,899
Instructional staff	45,275
Board of education	865
Administration	39,954
Fiscal	1,267
Operations and maintenance	77,262
Pupil transportation	64,910
Food service operations	33,625
Extracurricular	<u>2,912</u>
Total depreciation expense	<u>\$ 552,420</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

A. Capital Lease Obligation

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

Capital assets consisting of equipment have been capitalized in the amount of \$113,111. Accumulated depreciation as of June 30, 2009 was \$33,933, leaving a current book value of \$79,178. 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 2009, principal and interest payments of \$22,225 and \$5,535, 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, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 27,760
2011	27,760
2012	<u>6,941</u>
Total minimum lease payments	62,461
Less: amount representing interest	<u>(5,473)</u>
Total	<u>\$ 56,988</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

Capital assets consisting of buildings/improvements have been capitalized in the amount of \$1,224,071 at June 30, 2009. Accumulated depreciation as of June 30, 2009 was \$113,821, leaving a current book value of \$1,110,250. 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 2009, principal and interest payments of \$260,000 and \$45,442, respectively, were paid from the bond retirement fund.

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, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 314,652
2011	323,032
2012	<u>265,582</u>
Total minimum lease payments	903,266
Less: amount representing interest	<u>(68,266)</u>
Total	<u><u>\$ 835,000</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS

- A. The District's governmental activities long-term obligations activity during fiscal year 2009 consisted of the following:

	Balance			Balance	Amounts
	June 30, 2008	Additions	Disposals	June 30, 2009	Due Within
					One Year
General obligation bonds:					
<u>Series 2006, facilities improvement</u>					
Current interest serial bonds	\$ 11,170,000	\$ -	\$ (265,000)	\$ 10,905,000	\$ 280,000
Capital appreciation bonds	210,062	-	-	210,062	-
Accreted interest	75,362	53,195	-	128,557	-
Total G.O. Bonds	<u>11,455,424</u>	<u>53,195</u>	<u>(265,000)</u>	<u>11,243,619</u>	<u>280,000</u>
Other long-term obligations:					
Energy conservation notes	203,000	-	(29,000)	174,000	30,000
Capital lease payable	79,213	-	(22,225)	56,988	24,070
Lease purchase payable	1,095,000	-	(260,000)	835,000	280,000
Total other long-term obligations	<u>1,377,213</u>	<u>-</u>	<u>(311,225)</u>	<u>1,065,988</u>	<u>334,070</u>
Compensated absences:					
Vacation leave	28,210	26,604	(24,984)	29,830	29,830
Severance	403,848	27,769	(128,968)	302,649	5,381
Total compensated absences	<u>432,058</u>	<u>54,373</u>	<u>(153,952)</u>	<u>332,479</u>	<u>35,211</u>
Total	<u>\$ 13,264,695</u>	<u>\$ 107,568</u>	<u>\$ (730,177)</u>	12,642,086	<u>\$ 649,281</u>
				Add: unamortized premium on bonds	339,473
				Total on statement of net assets	<u>\$ 12,981,559</u>

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid, which for the District, is the general fund and the following nonmajor governmental funds: food service, special transportation and auxiliary services.

Lease purchase and capital lease payable - See Note 10 for details on these obligations.

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, 2009, and capital appreciation bonds, par value \$210,062. The capital appreciation bonds mature each December 1, 2014 through 2016, (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 \$128,557 has been included on the statement of net assets at June 30, 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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.

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.

B. Principal and interest requirements to retire the District's long-term bonds are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 280,000	\$ 469,434	\$ 749,434	\$ -	\$ -	\$ -
2011	300,000	457,834	757,834	-	-	-
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 - 2019	1,065,000	2,067,659	3,132,659	126,249	553,751	680,000
2020 - 2024	2,090,000	1,698,404	3,788,404	-	-	-
2025 - 2029	2,585,000	1,207,132	3,792,132	-	-	-
2030 - 2034	3,215,000	538,312	3,753,312	-	-	-
2035	730,000	16,425	746,425	-	-	-
Total	\$ 10,905,000	\$ 7,759,702	\$ 18,664,702	\$ 210,062	\$ 809,938	\$ 1,020,000

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

Fiscal Year Ending June 30,	Principal on notes	Interest on notes	Total
2010	\$ 30,000	\$ 7,712	\$ 37,712
2011	33,000	6,184	39,184
2012	35,000	4,535	39,535
2013	37,000	2,789	39,789
2014	39,000	946	39,946
Total	\$ 174,000	\$ 22,166	\$ 196,166

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. 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, 2009, are a voted debt margin of \$4,716,871 (including available funds of \$444,265) and an unvoted debt margin of \$170,974.

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 \$2,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$28,642,150. Property insurance also includes \$1,000,000 additional expense coverage.

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

B. Worker's Compensation

For fiscal year 2009, 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. A participant will then either receive money from or be required to contribute to the "equity pooling fund".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 12 - RISK MANAGEMENT - (Continued)

This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. The District was again placed in the Group II (Penalty Rated) program for 2009. This program does not provide (as stated above) a pooled savings for the District. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Insurance

The District has established limited risk health, dental and life insurance programs for its employees. The District is a member of the Champaign, Delaware, Marion and Union County Insurance Consortium. 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 \$150,000 and aggregate claims in excess of \$4,292,738.

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS’ Ohio website, www.ohsers.org, under *Forms and Publications*.

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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$123,394, \$123,701 and \$123,760, respectively; 42.02 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2009, 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, 2009, 2008 and 2007 were \$582,440, \$582,415 and \$538,210, respectively; 83.41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$10,275 made by the District and \$27,499 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, 2009, 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, 2009**

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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$83,311, \$81,059 and \$58,810, respectively; 42.02 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$10,181, \$8,913 and \$8,416, respectively; 42.02 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 or by calling (888) 227-7877.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, 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, 2009, 2008, and 2007 were \$44,803, \$44,801 and \$41,401, respectively; 83.41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of 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 revenues, expenditures and changes in fund balance budget (non-GAAP) and actual 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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	\$ 207,882
Net adjustment for revenue accruals	(39,895)
Net adjustment for expenditure accruals	98,150
Net adjustment for other sources/uses	(27,313)
Adjustment for encumbrances	<u>73,571</u>
GAAP basis	<u>\$ 312,395</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

NOTE 17 - STATUTORY RESERVES

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 year end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for BWC refunds. At June 30, 2009, only the unspent portions of certain workers' compensation refunds continue to be a set-aside for BWC refunds.

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2008	\$ (261,288)	\$ (11,312,941)	\$ 87,102
Current year set-aside requirement	151,257	151,257	-
Current year offsets	-	(444,690)	-
Qualifying disbursements	<u>(219,516)</u>	<u>(443,526)</u>	<u>-</u>
Total	<u>\$ (329,547)</u>	<u>\$ (12,049,900)</u>	<u>\$ 87,102</u>
Carry forward balance to fiscal year 2010	<u>\$ (329,547)</u>	<u>\$ (11,312,941)</u>	<u>\$ 87,102</u>

The District had qualifying disbursements and offsets during the fiscal year and prior years that reduced the textbooks/instructional materials and capital acquisition reserves below zero. These amounts may be used to reduce the set-aside requirement of future years. The District issued bonds in connection with construction of a new building. These bonds may be used as an offset against current and future capital acquisition set-aside requirements. The negative excess is therefore presented as being carried forward to the next fiscal year. In addition the District has not yet elected to spend prior year BWC refunds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 17 - STATUTORY RESERVES - (Continued)

A schedule of the general fund restricted assets at June 30, 2009 follows:

Amount restricted for BWC refunds	<u>\$ 87,102</u>
Total restricted	<u><u>\$ 87,102</u></u>



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fairbanks Local School District, Union County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Fairbanks Local School District's basic financial statements and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fairbanks Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fairbanks Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Fairbanks Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fairbanks Local School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Fairbanks Local School District's financial statements that is more than inconsequential will not be prevented or detected by Fairbanks Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Fairbanks Local School District's internal control.

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

Board of Education
Fairbanks Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairbanks Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Julian & Grube, Inc.
December 18, 2009

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

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-FLSD-001	The District capitalized an asset prior to expenditure.	Yes	N/A
2008-FLSD-002	Internal controls were not sufficient to allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.	Yes	N/A



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

1. We noted the Board adopted an anti-harassment policy at its meeting on August 17, 2009.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education of Fairbanks Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
December 18, 2009



Mary Taylor, CPA
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
MARCH 2, 2010