



**Auditor of State  
Betty Montgomery**



**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fairbanks Local School District, Union County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairbanks Local School District, Union County, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery  
Auditor of State**

December 11, 2003

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**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2003**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals 2003
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 1,683,945	\$ 101,341	\$ 22,985	\$ 511	\$ 32,402	\$ 24	\$ 38,090	\$ -	\$ -	\$ 1,879,298
Restricted Asset	87,102	-	-	-	-	-	-	-	-	87,102
Investments	-	-	-	-	-	-	62,969	-	-	62,969
Taxes Receivables	4,150,782	-	-	-	-	-	-	-	-	4,150,782
Interfund Receivables	4,434	-	-	-	-	-	-	-	-	4,434
Intergovernmental Receivables	14,398	3,998	-	-	3,216	32,448	-	-	-	54,060
Due from Other Funds	-	-	-	-	-	47,762	-	-	-	47,762
Accounts Receivable	2,308	36	-	-	-	-	198	-	-	2,542
Inventory for Resale	-	-	-	-	2,332	-	-	-	-	2,332
Net Property, Plant, and Equipment	-	-	-	-	25,032	-	-	7,753,661	-	7,778,693
Amount to be Provided for Retirement of General Long Term Debt	-	-	-	-	-	-	-	-	749,895	749,895
<b>Total Assets and Other Debits</b>	<b>\$ 5,942,969</b>	<b>\$ 105,375</b>	<b>\$ 22,985</b>	<b>\$ 511</b>	<b>\$ 62,982</b>	<b>\$ 80,234</b>	<b>\$ 101,257</b>	<b>\$ 7,753,661</b>	<b>\$ 749,895</b>	<b>\$ 14,819,869</b>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2003  
(Continued)**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals 2003
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
Liabilities:										
Interfund Payables	\$ -	\$ 4,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,434
Intergovernmental Payables	109,207	1,942	-	-	12,906	3,623	-	-	57,752	185,430
Accounts Payable	40,675	24,919	-	-	402	92	775	-	-	66,863
Accrued Salaries and Benefits	564,233	2,849	-	-	12,046	7,887	-	-	-	587,015
Deferred Revenue	3,618,952	-	-	-	-	-	-	-	-	3,618,952
Due to Others	-	-	-	-	-	-	34,944	-	-	34,944
Matured Bonds and Interest Payable	-	-	22,985	-	-	-	-	-	-	22,985
General Obligation Notes Payable	-	-	-	-	-	-	-	-	330,429	330,429
Capital Leases Payable	-	-	-	-	-	-	-	-	2,008	2,008
Due to Other Funds	47,762	-	-	-	-	-	-	-	-	47,762
Compensated Absences Payable	10,365	-	-	-	7,050	-	-	-	359,706	377,121
<b>Total Liabilities</b>	<b>4,391,194</b>	<b>34,144</b>	<b>22,985</b>	<b>-</b>	<b>32,404</b>	<b>11,602</b>	<b>35,719</b>	<b>-</b>	<b>749,895</b>	<b>5,277,943</b>
Fund Equity and Other Credits:										
Investment in General Fixed Assets	-	-	-	-	-	-	-	7,753,661	-	7,753,661
Retained Earnings	-	-	-	-	30,578	68,632	-	-	-	99,210
Fund Balances:										
Reserved for Encumbrances	122,154	45,108	-	-	-	-	-	-	-	167,262
Reserved for Contribution	-	-	-	-	-	-	62,969	-	-	62,969
Reserved for Budget Stabilization	87,102	-	-	-	-	-	-	-	-	87,102
Reserved for Future Appropriation	213,982	-	-	-	-	-	-	-	-	213,982
Unreserved Fund Balance	1,128,537	26,123	-	511	-	-	2,569	-	-	1,157,740
<b>Total Fund Balances</b>	<b>1,551,775</b>	<b>71,231</b>	<b>-</b>	<b>511</b>	<b>-</b>	<b>-</b>	<b>65,538</b>	<b>-</b>	<b>-</b>	<b>1,689,055</b>
<b>Total Fund Balances/Retained Earnings and Other Credits</b>	<b>1,551,775</b>	<b>71,231</b>	<b>-</b>	<b>511</b>	<b>30,578</b>	<b>68,632</b>	<b>65,538</b>	<b>7,753,661</b>	<b>-</b>	<b>9,541,926</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 5,942,969</b>	<b>\$ 105,375</b>	<b>\$ 22,985</b>	<b>\$ 511</b>	<b>\$ 62,982</b>	<b>\$ 80,234</b>	<b>\$ 101,257</b>	<b>\$ 7,753,661</b>	<b>\$ 749,895</b>	<b>\$ 14,819,869</b>

See Accompanying Notes to the General Purpose Financial Statements.



**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>REVENUES:</b>					
Revenue from Local Sources					
Taxes	\$ 4,289,222	\$ -	\$ -	\$ -	\$ 4,289,222
Tuition	27,832	-	-	-	27,832
Earnings on Investments	40,504	-	-	-	40,504
Extracurricular Activities	-	56,042	-	-	56,042
Miscellaneous	37,167	44,778	-	-	81,945
Revenue from Intermediate Sources					
Restricted Grants-in Aid	-	8,500	-	-	8,500
Revenue from State Sources					
Unrestricted Grants-in Aid	2,213,265	-	-	-	2,213,265
Restricted Grants-in Aid	51,859	179,487	-	13,804	245,150
Restricted from Federal Sources					
Restricted Grants-in Aid	-	170,854	-	-	170,854
<b>Total Revenue</b>	<b>6,659,849</b>	<b>459,661</b>	<b>-</b>	<b>13,804</b>	<b>7,133,314</b>
<b>EXPENDITURES:</b>					
Instruction					
Regular Instruction	3,368,084	24,165	-	13,804	3,406,053
Special Instruction	459,108	63,132	-	-	522,240
Vocational Instruction	-	6,721	-	2,648	9,369
Supporting Services					
Supporting Services-Pupils	229,790	74,275	-	-	304,065
Supporting Services-Instructional Staff	298,414	64,110	-	-	362,524
Supporting Services-Board of Education	49,358	-	-	-	49,358
Supporting Services-Administration	756,965	18,024	-	-	774,989
Fiscal Services	258,282	5,000	-	-	263,282
Operation & Maintenance-Plant	895,831	-	-	-	895,831
Supporting Services-Pupil	377,536	2,072	-	-	379,608
Supporting Services-Central	-	14,000	-	-	14,000
Operation of Non-Instructional Services					
Community Services	-	145,358	-	-	145,358
Extracurricular Activities					
Academic & Subject Oriented	-	400	-	-	400
Sports Oriented	114,799	67,379	-	-	182,178
Co-Curricular Activities	14,824	-	-	-	14,824
Debt Service					
Repayment of Debt (principal and interest)	-	-	40,908	-	40,908
<b>Total Expenditures</b>	<b>6,822,991</b>	<b>484,636</b>	<b>40,908</b>	<b>16,452</b>	<b>7,364,987</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(163,142)	(24,975)	(40,908)	(2,648)	(231,673)
<b>Other Financing Sources and Uses:</b>					
Other Financing Sources					
Sale & Loss of Assets	3,855	-	-	-	3,855
Transfers-In	-	5,428	40,908	-	46,336
Other Financing Uses					
Transfers-Out	(46,336)	-	-	-	(46,336)
<b>Net Other Financing Sources and Uses</b>	<b>(42,481)</b>	<b>5,428</b>	<b>40,908</b>	<b>-</b>	<b>3,855</b>
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure					
Disbursement and Other Uses	(205,623)	(19,547)	-	(2,648)	(227,818)
Beginning Fund Balance	1,757,398	90,778	-	3,159	1,851,335
<b>Ending Fund Balance</b>	<b>\$ 1,551,775</b>	<b>\$ 71,231</b>	<b>\$ -</b>	<b>\$ 511</b>	<b>\$ 1,623,517</b>

See Accompanying Notes to the General Purpose Financial Statements.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2003**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 4,572,305	\$ 4,572,305	\$ -	\$ -	\$ -	\$ -
Tuition	13,434	13,434	-	-	-	-
Earnings on Investment	41,332	41,332	-	-	-	-
Extracurricular Activities	-	-	-	56,092	56,092	-
Miscellaneous	37,420	37,420	-	45,009	45,009	-
Intermediate Restricted Grants-in-Aid	-	-	-	8,500	8,500	-
State Unrestricted Grants-in-Aid	2,385,365	2,385,365	-	-	-	-
State Restricted Grants-in-Aid	51,859	51,859	-	179,487	179,487	-
Federal Restricted Grants-in-Aid	-	-	-	170,189	170,189	-
<b>Total Revenue</b>	<b>7,101,715</b>	<b>7,101,715</b>	<b>-</b>	<b>459,277</b>	<b>459,277</b>	<b>-</b>
<b>Expenditures:</b>						
Regular Instruction	3,349,974	3,349,974	-	37,902	24,914	12,988
Special Instruction	455,828	455,828	-	50,692	49,603	1,089
Vocational Instruction	-	-	-	7,825	6,721	1,104
Support Services-Pupils	224,709	224,709	-	83,467	76,725	6,742
Support Services-Instructional Staff	312,704	312,704	-	81,694	65,126	16,568
Support Services-Board of Education	58,536	58,536	-	-	-	-
Support Services-Administration	751,450	751,450	-	19,943	19,943	-
Fiscal Services	259,726	259,726	-	7,301	5,000	2,301
Operation & Maintenance-Plant	836,770	836,770	-	-	-	-
Support Services-Transportation	491,033	491,033	-	2,313	2,072	241
Support Services-Central	-	-	-	14,000	14,000	-
Community Services	-	-	-	243,167	204,660	38,507
Academic & Subject Oriented	-	-	-	400	400	-
Sports Oriented	114,478	114,478	-	64,737	64,737	-
Co-Curricular Activities	14,675	14,675	-	-	-	-
Repayment of Debt	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>6,869,883</b>	<b>6,869,883</b>	<b>-</b>	<b>613,441</b>	<b>533,901</b>	<b>79,540</b>
Excess of Revenue Over (Under) Expenditures	231,832	231,832	-	(154,164)	(74,624)	79,540
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	3,855	3,855	-	-	-	-
Transfers-In	-	-	-	5,428	5,428	-
Advances-In	4,837	4,837	-	4,435	4,435	-
Refund of Prior Years Expenses	195	195	-	-	-	-
Transfers-Out	(46,336)	(46,336)	-	-	-	-
Advances-Out	(4,435)	(4,435)	-	(4,837)	(4,837)	-
<b>Total Other Sources (Uses)</b>	<b>(41,884)</b>	<b>(41,884)</b>	<b>-</b>	<b>5,026</b>	<b>5,026</b>	<b>-</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	189,948	189,948	-	(149,138)	(69,598)	79,540
Beginning Fund Balance	1,264,656	1,264,656	-	76,796	76,796	-
Prior Year Carry Over Encumbrances	194,465	194,465	-	26,184	26,184	-
<b>Ending Fund Balance</b>	<b>\$ 1,649,069</b>	<b>\$ 1,649,069</b>	<b>\$ -</b>	<b>\$(46,158)</b>	<b>\$ 33,382</b>	<b>\$ 79,540</b>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2003  
(Continued)**

	Debt Service Fund			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tuition	-	-	-	-	-	-
Earnings on Investment	-	-	-	-	-	-
Extracurricular Activities	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Intermediate Restricted Grants-in-Aid	-	-	-	-	-	-
State Unrestricted Grants-in-Aid	-	-	-	-	-	-
State Restricted Grants-in-Aid	-	-	-	13,804	13,804	-
Federal Restricted Grants-in-Aid	-	-	-	-	-	-
<b>Total Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,804</b>	<b>13,804</b>	<b>-</b>
Expenditures:						
Regular Instruction	-	-	-	13,804	13,804	-
Special Instruction	-	-	-	-	-	-
Vocational Instruction	-	-	-	2,648	2,648	-
Support Services-Pupils	-	-	-	-	-	-
Support Services-Instructional Staff	-	-	-	-	-	-
Support Services-Board of Education	-	-	-	-	-	-
Support Services-Administration	-	-	-	-	-	-
Fiscal Services	-	-	-	-	-	-
Operation & Maintenance-Plant	-	-	-	-	-	-
Support Services-Transportation	-	-	-	-	-	-
Support Services-Central	-	-	-	-	-	-
Community Services	-	-	-	-	-	-
Academic & Subject Oriented	-	-	-	-	-	-
Sports Oriented	-	-	-	-	-	-
Co-Curricular Activities	-	-	-	-	-	-
Repayment of Debt	40,908	40,908	-	-	-	-
<b>Total Expenditures</b>	<b>40,908</b>	<b>40,908</b>	<b>-</b>	<b>16,452</b>	<b>16,452</b>	<b>-</b>
Excess of Revenue Over (Under) Expenditures	(40,908)	(40,908)	-	(2,648)	(2,648)	-
Other Financing Sources (Uses):						
Sale & Loss of Assets	-	-	-	-	-	-
Transfers-In	40,908	40,908	-	-	-	-
Advances-In	-	-	-	-	-	-
Refund of Prior Years Expenses	-	-	-	-	-	-
Transfers-Out	-	-	-	-	-	-
Advances-Out	-	-	-	-	-	-
<b>Total Other Sources (Uses)</b>	<b>40,908</b>	<b>40,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	-	(2,648)	(2,648)	-
Beginning Fund Balance	-	-	-	3,159	3,159	-
Prior Year Carry Over Encumbrances	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 511</b>	<b>\$ 511</b>	<b>\$ -</b>

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2003  
(Continued)**

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 4,572,305	\$ 4,572,305	\$ -
Tuition	13,434	13,434	-
Earnings on Investment	41,332	41,332	-
Extracurricular Activities	56,092	56,092	-
Miscellaneous	82,429	82,429	-
Intermediate Restricted Grants-in-Aid	8,500	8,500	-
State Unrestricted Grants-in-Aid	2,385,365	2,385,365	-
State Restricted Grants-in-Aid	245,150	245,150	-
Federal Restricted Grants-in-Aid	170,189	170,189	-
Total Revenue	<u>7,574,796</u>	<u>7,574,796</u>	<u>-</u>
Expenditures:			
Regular Instruction	3,401,680	3,388,692	12,988
Special Instruction	506,520	505,431	1,089
Vocational Instruction	10,473	9,369	1,104
Support Services-Pupils	308,176	301,434	6,742
Support Services-Instructional Staff	394,398	377,830	16,568
Support Services-Board of Education	58,536	58,536	-
Support Services-Administration	771,393	771,393	-
Fiscal Services	267,027	264,726	2,301
Operation & Maintenance-Plant	836,770	836,770	-
Support Services-Transportation	493,346	493,105	241
Support Services-Central	14,000	14,000	-
Community Services	243,167	204,660	38,507
Academic & Subject Oriented	400	400	-
Sports Oriented	179,215	179,215	-
Co-Curricular Activities	14,675	14,675	-
Repayment of Debt	40,908	40,908	-
Total Expenditures	<u>7,540,684</u>	<u>7,461,144</u>	<u>79,540</u>
Excess of Revenue Over (Under) Expenditures	34,112	113,652	79,540
Other Financing Sources (Uses):			
Sale & Loss of Assets	3,855	3,855	-
Transfers-In	46,336	46,336	-
Advances-In	9,272	9,272	-
Refund of Prior Years Expenses	195	195	-
Transfers-Out	(46,336)	(46,336)	-
Advances-Out	(9,272)	(9,272)	-
Total Other Sources (Uses)	<u>4,050</u>	<u>4,050</u>	<u>-</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	38,162	117,702	79,540
Beginning Fund Balance	1,344,611	1,344,611	-
Prior Year Carry Over Encumbrances	220,649	220,649	-
Ending Fund Balance	<u>\$ 1,603,422</u>	<u>\$ 1,682,962</u>	<u>\$ 79,540</u>

See Accompanying Notes to the General Purpose Financial Statements.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Types		Fiduciary Fund	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Non-Expendable Trust Fund	
Operating Revenues:				
Tuition	\$ 23,964	\$ -	\$ -	\$ 23,964
Transportation Fees	-	76,887	-	76,887
Food Services	117,482	-	-	117,482
Earnings On Investments	-	-	2,040	2,040
Classroom Materials and Fees	36,886	-	-	36,886
Total Operating Revenue	178,332	76,887	2,040	257,259
Operating Expenses:				
Personal Services-Salary	75,598	46,424	-	122,022
Employee Benefits	34,531	11,522	-	46,053
Purchased Services	1,558	3,143	-	4,701
Supplies and Materials	118,566	12,638	-	131,204
Other Expenses	673	-	305	978
Depreciation	4,457	-	-	4,457
Total Operating Expense	235,383	73,727	305	309,415
Operating Income (Loss)	(57,051)	3,160	1,735	(52,156)
Non-Operating Revenues:				
State Unrestricted Grants-in-Aid	706	-	-	706
Federal Unrestricted Grants-in-Aid	27,933	-	-	27,933
Federal Restricted Grants-in-Aid	19,845	-	-	19,845
Total Non-Operating Revenue	48,484	-	-	48,484
Net Income (Loss)	(8,567)	3,160	1,735	(3,672)
Beginning Retained Earnings/Fund Balance	39,145	65,472	63,803	168,420
Retained Earnings/Fund Balance at End of Year	\$ 30,578	\$ 68,632	\$ 65,538	\$ 164,748

See Accompanying Notes to the General Purpose Financial Statements.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Non-Expendable Trust Fund	
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ (57,051)	\$ 3,160	\$ 1,735	\$ (52,156)
Adjustment to Reconcile Operating Income To Net Cash used in Operating Activities:				
Depreciation	4,457	-	-	4,457
Net (Increases) Decreases in Assets:				-
Intergovernmental Receivable	213	(10,740)	-	(10,527)
Due from Other Funds	-	10,177	-	10,177
Accounts Receivable	30	-	-	30
Inventory	5,816	-	-	5,816
Net Increases (Decreases) in Liabilities:				
Intergovernmental Payable	6,756	(4,391)	-	2,365
Accounts Payable	(946)	(2,648)	(545)	(4,139)
Accrued Salaries and Benefits	1,339	280	-	1,619
Compensated Absences Payable	(2,547)	-	-	(2,547)
Net Adjustments	15,118	(7,322)	(545)	7,251
Net Cash Used in Operating Activities	(41,933)	(4,162)	1,190	(44,905)
Cash Flows from Noncapital Financing Activities:				
Grants from State Sources	706	-	-	706
Grants from Federal Sources	47,778	-	-	47,778
Net Cash Provided by Noncapital Financing Activities	48,484	-	-	48,484
Net Increase (Decrease) in Cash & Cash Equivalents	6,551	(4,162)	1,190	3,579
Cash and Cash Equivalents at Beginning of Year	25,851	4,186	64,348	94,385
Cash and Cash Equivalents at End of Year	\$ 32,402	\$ 24	\$ 65,538	\$ 97,964

See Accompanying Notes to General Purpose Financial Statements.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Average daily membership (ADM) as of October 1, 2002, was 923. The District employed 64 certified employees and 44 non-certificated employees. The District cooperates with the Delaware-Union County Educational Service Center, a separate entity, for curricular services.

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

**A. Reporting Entity**

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

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

The District's reporting entity includes the following:

*St John Lutheran School and St. Paul Lutheran School* - Within the District's boundaries, St. John Lutheran School and St. Paul Lutheran School operate as private schools. Current State legislation provides funding to the parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity is reflected in special revenue funds of the District.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

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

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

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Types

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

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.



**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Internal Service Fund - This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District or to other governmental units, on a cost reimbursement basis.

Fiduciary Fund Types

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

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

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

Account Groups

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

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

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

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust 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 balance sheet. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the 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 specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, accounts and grants.

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003 that are intended to finance fiscal year 2004 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred 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 the governmental funds.

The proprietary fund types and nonexpendable trust fund utilize the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as nonoperating revenue.

**D. Budget and Budgetary Accounting**

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

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**E. Cash and Investments**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to certificates of deposit and State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments are reported at cost except for investments in STAR Ohio are reported at fair value.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during the fiscal year amounted to \$40,504, which included approximately \$1,919 assigned from other funds.

**F. Taxes Receivable**

The financial statements reflect taxes receivable as of June 30, 2003. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2003 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

**G. Inventories**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. The cost of the governmental fund type inventories is recorded as an expenditure when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation.

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

**I. Fixed Assets**

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**J. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2003, the District had \$4,434 in "Interfund Receivables/Payables" and \$ 47,762 in Due From/Due To other funds.

**K. Advances to Other Funds**

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2003 the District had no long-term interfund loans.

**L. Compensated Absences**

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

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

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Contributed Capital**

Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. All fund equity amounts pertaining to proprietary funds have been classified as retained earnings. At June 30, 2003, the District had no contributed capital.

**N. Long-Term Obligations**

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

**O. Interfund Transactions**

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

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

**P. Fund Balance Reserves**

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

**Q. Restricted Assets**

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

**R. Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the Proprietary Funds consider all cash and investments to be cash equivalents because they are available to the Proprietary Funds on demand.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**S. Memorandum Only - Total Columns**

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

**T. Estimates**

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

**2. BUDGETARY BASIS OF ACCOUNTING**

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses - Governmental Fund Types	
	Governmental Fund Types
	General Fund      Special Revenue
GAAP Basis	\$(205,623)      \$(19,547)
Increase (Decrease):	
Due to Revenues:	
Net Adjustments to Revenue Accruals	441,866      (384)
Due to Expenditures:	
Net Adjustments to Expenditure Accruals	(46,892)      (49,265)
Due to Other Sources/Uses	597      (402)
Budget Basis	\$189,948      \$(69,598)

**3. ACCOUNTABILITY AND COMPLIANCE**

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**4. CASH AND INVESTMENTS**

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

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

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

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

Monies held by the District which are not considered active are classified as interim. 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 or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;



**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. CASH AND INVESTMENTS (Continued)**

- 7. The State Treasurer's investment pool (STAR Ohio);
- 8. Certain bankers acceptances and commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty five percent of the District's interim monies available for investment at any one time.

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

**Deposits** At fiscal year end, the carrying amount of the District's deposits was \$971,675 and the bank balance was \$994,282. Of the bank balance, \$162,969 was covered by Federal Depository Insurance Corporation (FDIC), and \$831,313 was covered by collateral held by the financial institution in the District's name.

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

	Category			Reported	Fair
	1	2	3	Amount	Value
STAR Ohio		N/A		\$1,055,449	\$1,055,449

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. CASH AND INVESTMENTS (Continued)**

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,966,400	\$ 62,969
Investments:		
Certificate of Deposit	62,969	(62,969)
STAR Ohio	(1,055,449)	1,055,449
Change Cash	(695)	0
Petty Cash	(1,550)	0
GASB Statement No. 3	\$ 971,675	\$ 1,055,449

**5. PROPERTY TAX**

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

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

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

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**5. PROPERTY TAX (Continued)**

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance; \$213,982 at June 30, 2003. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2003 for operations was \$36.80 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2003 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$10,791,190
Real Property-Residential/Agricultural	107,547,870
Real Property-Public Utilities	32,470
Personal Property-General	15,156,800
Personal Property-Public Utilities	6,052,700
	<hr/>
Total Assessed Value	\$139,581,030
	<hr/> <hr/>

**6. RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Tuition	<u>\$14,398</u>
Total General Fund	14,398
Special Revenue Funds:	
Title V Grant	3,998
Total Special Revenue Funds	3,998
Proprietary Funds:	
Enterprise	3,216
Internal Service	32,448
Total Proprietary Funds	<u>35,664</u>
Grand Total	<u><u>\$54,060</u></u>

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. FIXED ASSETS**

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2003:

Furniture and Equipment	\$99,132
Less Accumulated Depreciation	<u>(74,100)</u>
Net Fixed Assets	<u><u>\$25,032</u></u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2003:

	General Fixed Assets June 30, 2002	Additions	Deletions	General Fixed Assets June 30, 2003
Land & Land Improvements	\$895,228	138,145	0	\$1,033,373
Buildings & Bldg. Improvements	4,409,147	0	0	4,409,147
Furniture, Fixtures & Equipment	1,289,302	186,588	26,914	1,448,976
Vehicles	<u>862,165</u>	<u>0</u>	<u>0</u>	<u>862,165</u>
Total General Fixed Assets	<u><u>\$7,455,842</u></u>	<u><u>324,733</u></u>	<u><u>26,914</u></u>	<u><u>\$7,753,661</u></u>

There was no significant construction in progress at June 30, 2003 for District owned property.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**8. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 5.46 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, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$53,889, \$51,567 and \$162,816, respectively; 50 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$26,830 representing the unpaid contribution for fiscal year 2003, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$463,992, \$432,504 and \$406,512, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$77,330 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**9. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. Effective July 1, 2002, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2003. For the District, this amount equaled \$31,844 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002 (the latest information available), employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$101,959.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

**10. COMPENSATED ABSENCES**

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

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

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**10. COMPENSATED ABSENCES (Continued)**

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1-9	10
10-19	15
20-beyond	20

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

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

**11. RISK MANAGEMENT**

**A. Property and Liability**

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

General liability insurance is maintained in the amount of \$3,000,000 for each occurrence and \$5,000,000 in the aggregate. Other liability insurance includes \$20,000 for employee liability which includes each board member. A separate liability policy is maintained for the Superintendent in the amount of \$20,000 and \$50,000 for the District Treasurer.

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

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

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

**B. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Insurance**

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

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

**12. NOTES AND LONG-TERM DEBT**

A summary of changes in long-term obligations for the year ended June 30, 2003, is as follows:

	Balance			Balance
	July 1, 2002	Additions	Deletions	June 30, 2003
Intergovernmental Payable	\$47,981	57,752	47,981	\$57,752
General Obligation Notes Payable	355,380	0	24,951	330,429
Capital Leases Payable	25,335	0	23,327	2,008
Compensated Absences Payable	300,359	359,706	300,359	359,706
	<u>\$729,055</u>	<u>417,458</u>	<u>396,618</u>	<u>\$749,895</u>

Compensated absences and intergovernmental payable, representing the District's contractually required pension contributions, will be paid from the fund from which the employee's salaries are paid.

Notes payable are paid from the debt service fund via transfers from the general fund.

	Interest Rate	Issue	Maturity	Balance	Retired	Balance
	Rate	Date	Date	06/30/02		06/30/03
Asbestos Abatement Note	0.00%	03/16/87	12/31/04	\$17,380	(6,951)	\$10,429
Energy Conservation Note	4.80%	06/01/99	12/01/13	338,000	(18,000)	320,000
Total				<u>\$355,380</u>	<u>(24,951)</u>	<u>\$330,429</u>



**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

**12. NOTES AND LONG-TERM DEBT (Continued)**

The annual maturities of the general obligation notes as of June 30, 2003, and related interest payments are as follows:

	Principal	Interest	Payment
FY2004	\$25,953	15,059	\$41,012
FY2005	24,476	14,089	38,565
FY2006	23,000	13,022	36,022
FY2007	26,000	11,834	37,834
FY2008	28,000	10,525	38,525
FY2009 and thereafter	203,000	31,307	234,307
	\$330,429	\$95,836	\$426,265

**Debt Limitation:**

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt margin is \$139,581. The voted debt limit at June 30, 2003 is \$12,562,293.

**13. INTERFUND TRANSACTIONS**

At June 30, 2003, the District had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

	Receivables	Payables
General Fund	\$4,434	\$0
Special Revenue Funds	0	4,434
	\$4,434	\$4,434

**14. JOINTLY GOVERNED ORGANIZATIONS**

Metropolitan Educational Council (MEC) - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

**15. SEGMENTS OF ENTERPRISE ACTIVITIES**

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

Key financial data for the District's Enterprise Funds for the year ended June 30, 2003, are as follows:

	Lunchroom Fund	Uniform Supply Fund	F.E.E.D. Program	Total
Operating Revenues	\$117,482	36,886	23,964	\$178,332
Operating Expenses:				
Depreciation	(4,457)	0	0	(4,457)
Other Expenses	(170,361)	(33,066)	(27,499)	(230,926)
Total Operating Expenses	(174,818)	(33,066)	(27,499)	(235,383)
Operating Loss	(57,336)	3,820	(3,535)	(57,051)
Non Operating Revenues and Expenses:				
State and Federal Grants	28,639	0	0	28,639
Federal Commodities	19,845	0	0	19,845
Net Loss	\$(8,852)	3,820	(3,535)	\$(8,567)
Net Working Capital	\$(16,480)	19,545	2,482	\$5,547
Total Assets	\$37,046	19,665	6,271	\$62,982
Total Fund Equity	\$8,552	19,545	2,481	\$30,578

**16. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

**B. Litigation**

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2003.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)**

**17. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**18. FUND DEFICITS**

Fund Balances at June 30, 2003, included the following individual fund deficits:

Special Revenue Funds:

Athletic Fund	(\$2,815)
Title I	(\$66)
Title VI	(\$403)

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

**19. STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2002	\$ 0	\$ 0	\$ 87,102	\$ 87,102
Current Year Set-Aside Requirement	124,706	124,706	0	249,412
Qualifying Disbursements	(311,026)	(286,714)	0	(597,740)
<b>Total</b>	<b>\$ (186,320)</b>	<b>(162,008)</b>	<b>87,102</b>	<b>\$ (261,226)</b>
Cash Balance Carried Forward to FY2004	\$ 0	\$ 0	\$ 87,102	
Amount Restricted for Budget Stabilization				\$ 87,102
<b>Total Restricted Assets</b>				<b>\$ 87,102</b>

FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(Continued)

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**19. STATUTORY RESERVES (Continued)**

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero. The amounts for textbook acquisition, at the discretion of the District, may be used to reduce the set-aside requirement of future years. Negative amounts, therefore, are not presented as being carried forward to the next fiscal year.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the general purpose financial statements of Fairbanks Local School District, Union County, Ohio, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 11, 2003.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated December 11, 2003.

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

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

**Betty Montgomery**  
**Auditor of State**

December 11, 2003



**Auditor of State  
Betty Montgomery**

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**FAIRBANKS LOCAL SCHOOL DISTRICT**

**UNION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 8, 2004**