



**Auditor of State  
Betty Montgomery**



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Fairborn City School District, Greene County, (the District), as of and for the year ended June 30, 2004. These 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 general purpose 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.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Fairborn City School District, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine 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*. You should read it in conjunction with this report in assessing the results of our audit.

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The District is experiencing certain financial difficulties. These conditions, and management's plans to address these concerns, are described in Note 13.

We conducted our audit to opine on the District's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and other officials authorized to receive this report under Section 117.38, Revised Code, 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

March 8, 2005

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

|   | Governmental Fund Types |                    |                  |                     | Fiduciary           | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|------------------|---------------------|---------------------|--------------------------------|
|   | General                 | Special<br>Revenue | Debt<br>Service  | Capital<br>Projects | Expendable<br>Trust |                                |
| <b>Revenues:</b>  |                         |                    |                  |                     |                     |                                |
| Taxes   | \$14,487,076            |                    | \$1,410,844      |                     |                     | \$15,897,920                   |
| Tuition   | 181,832                 |                    |                  |                     |                     | 181,832                        |
| Transportation Fees   | 70,651                  |                    |                  |                     |                     | 70,651                         |
| Intergovernmental   | 22,048,098              | \$2,812,083        | \$172,241        | \$117,425           |                     | 25,149,847                     |
| Earnings on Investments   | 102,386                 | 442                |                  | 12,957              | \$543               | 116,328                        |
| Extracurricular Activities  | 38,919                  | 191,879            |                  |                     |                     | 230,798                        |
| Classroom Materials & Fees  | 356                     |                    |                  |                     |                     | 356                            |
| Miscellaneous   | 159,912                 | 135,218            |                  |                     | 5,795               | 300,925                        |
| <b>Total Revenues</b>   | <b>37,089,230</b>       | <b>3,139,622</b>   | <b>1,583,085</b> | <b>130,382</b>      | <b>6,338</b>        | <b>41,948,657</b>              |
| <b>Expenditures:</b>  |                         |                    |                  |                     |                     |                                |
| Current:  |                         |                    |                  |                     |                     |                                |
| Instruction:  |                         |                    |                  |                     |                     |                                |
| Regular   | 18,222,664              | 843,115            |                  | 82,771              | 700                 | 19,149,250                     |
| Special   | 3,370,765               | 1,002,837          |                  |                     |                     | 4,373,602                      |
| Vocational  | 8,846                   |                    |                  |                     |                     | 8,846                          |
| Adult/Continuing  | 10,208                  |                    |                  |                     |                     | 10,208                         |
| Other   | 1,493,375               |                    |                  |                     |                     | 1,493,375                      |
| Support Services:   |                         |                    |                  |                     |                     |                                |
| Pupils  | 2,192,976               | 424,297            |                  |                     |                     | 2,617,273                      |
| Instruction   | 1,434,346               | 516,013            |                  |                     |                     | 1,950,359                      |
| Board of Education  | 77,059                  |                    |                  |                     |                     | 77,059                         |
| Administration  | 2,887,154               | 4,179              |                  |                     |                     | 2,891,333                      |
| Fiscal  | 807,235                 |                    | 24,125           |                     |                     | 831,360                        |
| Business  | 179,067                 | 2,075              |                  |                     |                     | 181,142                        |
| Operation and Maintenance   | 3,724,858               | 17,140             |                  | 7,345               |                     | 3,749,343                      |
| Transportation  | 2,106,351               | 9,231              |                  |                     |                     | 2,115,582                      |
| Central Services  | 436,567                 | 105,088            |                  |                     |                     | 541,655                        |
| Non-Instructional Services  | 2                       | 55,603             |                  |                     | 5,344               | 60,949                         |
| Extracurricular Activities  | 507,142                 | 106,205            |                  |                     |                     | 613,347                        |
| Capital Outlay  |                         |                    |                  | 4,489,922           |                     | 4,489,922                      |
| Debt Service:   |                         |                    | 1,964,791        |                     |                     | 1,964,791                      |
| <b>Total Expenditures</b>   | <b>37,458,615</b>       | <b>3,085,783</b>   | <b>1,988,916</b> | <b>4,580,038</b>    | <b>6,044</b>        | <b>47,119,396</b>              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures                                  | (369,385)               | 53,839             | (405,831)        | (4,449,656)         | 294                 | (5,170,739)                    |
| <b>Other Financing Sources (Uses):</b>  |                         |                    |                  |                     |                     |                                |
| Sale of Assets  | 2,813                   |                    |                  |                     |                     | 2,813                          |
| Advances In   | 49,179                  | 1,691              |                  |                     |                     | 50,870                         |
| Transfer In   | 92,222                  | 731,585            | 303,103          | 56,454              |                     | 1,183,364                      |
| Refund of Prior Year Expenditures   | 26,278                  | 1,616              |                  |                     |                     | 27,894                         |
| Advances Out  | (1,691)                 | (22,972)           |                  |                     |                     | (24,663)                       |
| Transfers Out   | (1,150,787)             |                    |                  | (92,222)            |                     | (1,243,009)                    |
| <b>Total Other Financing Sources (Uses)</b>   | <b>(981,986)</b>        | <b>711,920</b>     | <b>303,103</b>   | <b>(35,768)</b>     |                     | <b>(2,731)</b>                 |
| Excess (Deficiency) of Revenues and Other Sources<br>Over (Under) Expenditures and Other Uses | (1,351,371)             | 765,759            | (102,728)        | (4,485,424)         | 294                 | (5,173,470)                    |
| Fund Balances (Deficits) at Beginning of Year   | 2,599,015               | 818,748            | 1,036,657        | 6,782,079           | 58,419              | 11,294,918                     |
| Fund Balances (Deficits) at End of Year   | 1,247,644               | 1,584,507          | 933,929          | 2,296,655           | 58,713              | 6,121,448                      |
| Reserved for Encumbrances   | \$798,779               | \$295,594          | \$0              | \$403,474           | \$100               | \$1,497,947                    |

The accompanying notes are an integral part of the financial statements.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

|  | Proprietary<br>Fund Types |                     | Fiduciary<br>Fund Types |                 | Totals<br>(Memorandum<br>Only) |
|--|---------------------------|---------------------|-------------------------|-----------------|--------------------------------|
|  | Enterprise                | Internal<br>Service | Non-Expendable<br>Trust | Agency          |                                |
| <b>Operating Revenues:</b>   |                           |                     |                         |                 |                                |
| Food Services  | \$721,539                 |                     |                         |                 | \$721,539                      |
| Extracurricular Activities   |                           | \$170               |                         | \$141,535       | 141,705                        |
| Classroom Materials and Fees   | 103,325                   |                     |                         |                 | 103,325                        |
| Interest   |                           |                     | \$7,043                 |                 | 7,043                          |
| Miscellaneous  |                           |                     | 735                     |                 | 735                            |
| <b>Total Operating Revenue</b>   | <b>824,864</b>            | <b>170</b>          | <b>7,778</b>            | <b>141,535</b>  | <b>974,347</b>                 |
| <b>Operating Expenses:</b>   |                           |                     |                         |                 |                                |
| Salaries   | 485,528                   |                     |                         |                 | 485,528                        |
| Retirement & Insurances  | 216,641                   |                     |                         |                 | 216,641                        |
| Purchased Services   | 8,826                     | 1,821,818           |                         | 101,000         | 1,931,644                      |
| Capital Outlay   | 24,624                    |                     |                         |                 | 24,624                         |
| Materials and Supplies   | 616,647                   | 313                 |                         | 49,510          | 666,470                        |
| Other Objects  | 3,601                     |                     | 7,362                   | 7,781           | 18,744                         |
| <b>Total Operating Disbursements</b>   | <b>1,355,867</b>          | <b>1,822,131</b>    | <b>7,362</b>            | <b>158,291</b>  | <b>3,343,651</b>               |
| Excess of Operating Receipts Over/(Under)<br>Operating Disbursements   | (531,003)                 | (1,821,961)         | 416                     | (16,756)        | (2,369,304)                    |
| <b>Non-Operating Revenues:</b>   |                           |                     |                         |                 |                                |
| Miscellaneous  |                           | 873,325             |                         | 57,897          | 931,222                        |
| Interest   | 4,122                     |                     |                         | 332             | 4,454                          |
| Federal and State Subsidies  | 572,597                   |                     |                         |                 | 572,597                        |
| <b>Total Non-Operating Revenues</b>  | <b>576,719</b>            | <b>873,325</b>      |                         | <b>58,229</b>   | <b>1,508,273</b>               |
| Excess of Operating Receipts and Non-Operating<br>Receipts Over/(Under) Operating Disbursements<br>Before Transfers and Advances | 45,716                    | (948,636)           | 416                     | 41,473          | (861,031)                      |
| <b>Other Financing Receipts and /(Disbursements):</b>  |                           |                     |                         |                 |                                |
| Advances Out   |                           |                     |                         | (26,207)        | (26,207)                       |
| Operating Transfers In   |                           | 32,000              | 27,645                  |                 | 59,645                         |
| Refund of Prior Year Expenditure   | 1,014                     |                     |                         |                 | 1,014                          |
| <b>Total Other Financing Receipts and /(Disbursements)</b>   | <b>1,014</b>              | <b>32,000</b>       | <b>27,645</b>           | <b>(26,207)</b> | <b>34,452</b>                  |
| <b>Net Excess of Receipts Over/(Under) Disbursements</b>   | <b>46,730</b>             | <b>(916,636)</b>    | <b>28,061</b>           | <b>15,266</b>   | <b>(826,579)</b>               |
| Fund Balance at Beginning of Year  | 593,633                   | 932,252             | 689,614                 | 136,791         | 2,352,290                      |
| Fund Balance at End of Year  | 640,363                   | 15,616              | 717,675                 | 152,057         | 1,525,711                      |
| Reserve for Encumbrance  | \$36,547                  | \$0                 | \$0                     | \$12,634        | \$49,181                       |

*The accompanying notes are an integral part of the financial statements.*



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004**

| <b>Fund Types/Fund</b>    | <b><u>Budget</u></b>       | <b><u>Actual</u></b>       | <b>Variance<br/>Favorable/<br/>(Unfavorable)</b> |
|---------------------------|----------------------------|----------------------------|--|
| <b>Governmental:</b>      |                            |                            |  |
| General Fund              | \$37,682,843               | \$37,259,722               | (\$423,121)                                      |
| Special Revenue Funds     | 3,727,085                  | 3,874,514                  | 147,429  |
| Debt Service Funds        | 1,827,527                  | 1,886,188                  | 58,661   |
| Capital Project Funds     | 132,425                    | 186,836                    | 54,411   |
| <b>Proprietary:</b>       |                            |                            |  |
| Enterprise Funds          | 1,394,520                  | 1,402,597                  | 8,077  |
| Internal Service Funds    | 903,120                    | 905,495                    | 2,375  |
| <b>Fiduciary:</b>         |                            |                            |  |
| Expendable Trust Funds    | 4,990                      | 6,338                      | 1,348  |
| Nonexpendable Trust Funds | 9,880                      | 35,423                     | 25,543   |
| Agency Funds              | <u>200,998</u>             | <u>199,764</u>             | <u>(1,234)</u>                                   |
| Total (Memorandum Only)   | <u><u>\$45,883,388</u></u> | <u><u>\$45,756,877</u></u> | <u><u>(\$126,511)</u></u>                        |

*The notes to the financial statements are an integral part of this statement.*

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2004**

| Fund Types/Fund           | Prior Year<br>Carryover<br><u>Appropriations</u> | 2004<br><u>Appropriations</u> | <u>Total</u>        |
|---------------------------|--|-------------------------------|---------------------|
| <b>Governmental:</b>      |  |                               |                     |
| General Fund              | \$972,357  | \$39,674,885                  | \$40,647,242        |
| Special Revenue Funds     | 78,012   | 4,250,933                     | 4,328,945           |
| Debt Service Funds        | 89,751   | 1,991,596                     | 2,081,347           |
| Capital Project Funds     | 99,202   | 6,800,302                     | 6,899,504           |
| <b>Proprietary:</b>       |  |                               |                     |
| Enterprise Funds          | 62,229   | 1,691,730                     | 1,753,959           |
| Internal Service Funds    | 257,609  | 1,566,500                     | 1,824,109           |
| <b>Fiduciary:</b>         |  |                               |                     |
| Expendable Trust Funds    | 340  | 8,925                         | 9,265               |
| Nonexpendable Trust Funds |  | 9,985                         | 9,985               |
| Agency Funds              | 69,350   | 252,240                       | 321,590             |
| <br>                      |  |                               |                     |
| Total (Memorandum Only)   | <u>\$1,628,850</u>                               | <u>\$56,247,096</u>           | <u>\$57,875,946</u> |

*The notes to the financial statements are an integral part of this statement.*

| <u>Actual 2004<br/>Disbursements</u> | <u>Encumbrances<br/>Outstanding<br/>At 6/30/04</u> | <u>Total</u>        | <u>Variance<br/>Favorable/<br/>(Unfavorable)</u> |
|--------------------------------------|--|---------------------|--|
| \$38,611,093                         | \$798,779  | \$39,409,872        | \$1,237,370                                      |
| 3,108,755                            | 295,594  | 3,404,349           | 924,596  |
| 1,988,916                            |  | 1,988,916           | 92,431   |
| 4,672,260                            | 403,474  | 5,075,734           | 1,823,770  |
| 1,355,867                            | 36,547   | 1,392,414           | 361,545  |
| 1,822,131                            |  | 1,822,131           | 1,978  |
| 6,044                                | 100  | 6,144               | 3,121  |
| 7,362                                |  | 7,362               | 2,623  |
| 184,498                              | 12,634   | 197,132             | 124,458  |
| <u>\$51,756,926</u>                  | <u>\$1,547,128</u>                                 | <u>\$53,304,054</u> | <u>\$4,571,892</u>                               |

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**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Fairborn City School District (the "District") has grown from a union of the Fairborn, Osborn and Bath Township schools, which took place when the town of Osborn was moved. The earliest school records available are of Bath Township schools' purchase of land on September 1, 1856. The oldest historical record of the Osborn schools is a meeting of the Board of Education of July 27, 1906. The early history of the Fairfield school system consists of a log schoolhouse, one room up and two rooms down, in 1873. When consolidation of the three school systems was suggested there was much of the usual opposition. However, consolidation passed by a small majority and the school year 1923 started under the new plan. Today the District operates under the current standards prescribed by the Ohio Department of Education as provided in division (D) of sections 3301.07 and 119.01 of the Ohio Revised Code. The District is established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charger and further mandated by state and/or federal agencies.

**A. Reporting**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the 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 one component unit.

**Fairborn Digital Academy Community School** (the Academy) is a legally separate, not-for-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the growing need for a comprehensive educational program delivered to students in the K – 12 population primarily through distance learning technologies. The comprehensive educational program will address special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including some home-schooled students, who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The Academy operates under the direction of a five member Board of Directors, with Fairborn City School District acting as their sponsor. Based on the fact that Fairborn City School District appoints the voting majority of the Board of Directors and is able to significantly influence the programs or services performed or provided, the Fairborn Digital Academy is a component unit of the District. However, the District reports on the cash basis of accounting which does not reflect component units within their financial statements and related note disclosures. Separately issued financial statements can be obtained from Fairborn Digital Academy at 306 East Whittier Avenue, Fairborn, Ohio 45324-5313.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)**

The District is associated with five jointly governed organizations and one public entity risk pool. These organizations include the Southwestern Ohio Educational Purchasing Council, Miami Valley Special Education Regional Resource Center, Southwestern Ohio Instructional Technology Association, Green County Career Center, Metropolitan Dayton Educational Cooperative Association, and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 9 and 10 of the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**1. Governmental Fund Types**

**General Fund** - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

**Debt Service Funds** - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

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

**2. 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 is the District's proprietary fund types:

**Enterprise Funds** - 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 of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

**3. Fiduciary Fund Types**

**Fiduciary Funds** - The fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds.

**C. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

**3. Appropriations**

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

**4. Encumbrances**

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

**D. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**E. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**F. Property, Plant And Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns On Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories or by savings or deposit accounts including, but not limited to passbook accounts.

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

Protection of the Districts deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures or any other obligations or security 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 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; and

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

6. The State Treasurer's investment pool (STAR Ohio)
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. 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.

As of June 30, 2004, the District had \$9,100 in undeposited cash on hand which is included in the fund balance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**Deposits:** At June 30, 2004, the carrying amount of the District's deposits was \$2,828,728 and the bank balance was \$3,644,825. Of the bank balance, \$122,378 was covered by federal depository insurance and \$3,522,447 was covered by collateral held by third party trustees pursuant to section 135.181 of the Ohio Revised Code, in collateral pools serving all public funds on deposit with specific depository.

**Investments:** The District's investments are categorized below 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, which are held by the counter-party, trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, 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.

|           | <u>Category 1</u> | <u>Reported<br/>Amount</u> | <u>Fair<br/>Value</u> |
|-----------|-------------------|----------------------------|-----------------------|
| FHLB Corp | \$2,230,616       | \$2,230,616                | \$2,228,106           |
| STAR Ohio | \$2,230,616       | \$2,578,715                | \$2,578,715           |
|           | \$2,230,616       | \$4,809,331                | \$4,806,821           |
|           | =====             | =====                      | =====                 |

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. PROPERTY TAX**

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 school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed valued listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by the State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue receiving during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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.

The District receives property taxes from Greene, Clark, and Montgomery Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed valued upon which fiscal year 2004 taxes were collected are:

|   | <u>2004 First-Half Collections</u> |                |
|---|------------------------------------|----------------|
|   | <u>Amount</u>                      | <u>Percent</u> |
| Real Property<br>Residential/Agricultural &<br>Commercial/Industrial Public Utilities | \$519,758,640                      | 89.91%         |
| Tangible Personal Property  | <u>\$ 58,338,304</u>               | <u>10.09</u>   |
| Total Valuation   | \$578,096,944                      | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation  | \$44.40                            |                |

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEBT OBLIGATIONS**

**A. Debt Obligations**

Debt obligations of the District at June 30, 2004, consisted of the following:

|   | <b>Principal<br/>Outstanding<br/>6/30/03</b> | <b>Additions</b>   | <b>Deductions</b>        | <b>Principal<br/>Outstanding<br/>6/30/04</b> |
|---|--|--------------------|--------------------------|--|
| General Improvement Bonds<br>Variable Interest Rate 4.4 – 6.4%                | \$19,385,000                                 | \$ 0               | \$145,000                | \$19,240,000                                 |
| Energy Conservation Improvement<br>Bonds<br>Variable Interest Rate 3.5 – 4.6% | 1,615,000                                    | 0                  | 120,000                  | 1,495,000                                    |
| Energy Conservation Notes<br>Interest Rate 5.28%                              | 492,733                                      | 0                  | 155,600                  | 337,133                                      |
| School Bus Acquisition Bond<br>Variable Interest Rate 3.45 – 4.3%             | 650,000                                      | 0                  | 100,000                  | 550,000                                      |
| School Improvement Bond<br>Anticipation Note<br>Interest Rate 2%              | 255,000                                      | 0                  | 255,000                  | 0  |
| <b>Total Debt Obligations</b>   | <b><u>\$22,397,733</u></b>                   | <b><u>\$ 0</u></b> | <b><u>\$ 775,600</u></b> | <b><u>\$21,622,133</u></b>                   |

General improvement bonds issued August 1, 2000, with a variable interest rate of 4.4 – 6.40% will be paid from the debt service fund with the final maturity being during fiscal year 2027.

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

Energy Conservation notes were issued on July 8, 1996, at an interest rate of 5.28% for the purpose of the improvement and renovation of buildings. The notes were issued for a ten year period with the final maturity during fiscal year 2007.

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

School Improvement Bond Anticipation Notes were first issued in 2001 and are renewed each year with the final installment paid in 2004.

All debt issues will be retired from the Debt Service Fund

**B. Future Debt Requirements**

The annual requirements to amortize all debt outstanding as of June 30, 2004 are as follows:

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. DEBT OBLIGATIONS (Continued)**

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|---------------------------------|---------------------|---------------------|---------------------|
| 2005                            | \$ 830,600          | \$ 1,154,625        | \$ 1,985,225        |
| 2006                            | 860,600             | 1,116,693           | 1,977,293           |
| 2007                            | 760,933             | 1,079,160           | 1,840,093           |
| 2008                            | 770,000             | 1,045,214           | 1,815,214           |
| 2009                            | 805,000             | 1,009,146           | 1,814,146           |
| 2010-2014                       | 3,950,000           | 4,487,895           | 8,437,895           |
| 2015-2019                       | 4,135,000           | 3,334,759           | 7,469,759           |
| 2020-2024                       | 5,440,000           | 1,974,581           | 7,414,581           |
| 2025-2027                       | 4,070,000           | 359,950             | 4,429,950           |
| Total                           | <u>\$21,622,133</u> | <u>\$15,562,023</u> | <u>\$37,184,156</u> |

**6. 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 State Statute 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 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by SERS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. 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 2004, 4.91 percent of annual covered salary was the portion used to fund pension obligations. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$498,221, \$969,012, and \$874,020 respectively.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. 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 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, 2004, plan members were required to contribute 10.0 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% for members and 14% 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 for the fiscal years ended June 30, 2004, 2003, and 2002 were \$2,674,097, \$2,838,288, and \$2,661,108 respectively.

**7. POST RETIREMENT 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-certified 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.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2004, the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District the amount to fund health care benefits equaled \$205,700 during the 2004 fiscal year. As of June 30, 2004, eligible benefit recipients totaled 111,853. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000. The balance in the fund was \$3.087 billion at June 30, 2004.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. POST RETIREMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who qualify.

At June 30, 2004, the employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay has been established at \$25,400. For the District the amount to fund health care equaled \$353,311 during the 2004 fiscal year. The number of participants currently receiving health care benefits is approximately 60,000. For the fiscal year ended June 30, 2004, net health care costs paid by SERS were \$35.9 million. At June 30, 2004 SERS had net assets available for payment of healthcare benefits of \$300.9 million.

**8. RISK MANAGEMENT**

**A. Public Liability**

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District carried property and general liability insurance and boiler and machinery insurance.

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

The District contracted with Indiana Insurance Company for building and property insurance. Commercial property is insured at a limit of \$65,359,436 with a \$1,000 deductible on everything except computers, which have a \$250 deductible.

Automobile liability is also covered by Indiana Insurance Company for replacement cost with a \$250 deductible and combined single limit each accident of \$1,000,000.

**B. Health Benefits**

In an effort to curb health care spending on October 1, 2003 the district switched from being self insured to being fully insured with Anthem Blue Cross and Blue Shield. Prior to October 1, 2003 a Preferred Provider Organization (PPO) medical plan was established. This provided a network of physicians and hospitals through Flora Midwest. With this plan, the District and employees paid into the Employee Benefits Self-Insurance Internal Service Fund for family and individual coverage which was funded on a monthly basis. Also on October 1, 2003 the district switched dental coverage from self insured to fully insured through Anthem Blue Cross and Blue Shield. Prior to October 1, 2003 the district contracted with Bridgestone Americas Holding, Inc. to serve as the third party administrator for both health and dental coverage. As of June 30, 2004 all self insurance claims have been paid.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS**

**A. Southwestern Ohio Educational Purchasing Council (SOEPC)**

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

**B. Miami Valley Special Education Regional Resource Center**

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

**C. Southwestern Ohio Instructional Technology Association (SOITA)**

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

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

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



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**D. Greene County Career Center**

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

**E. Metropolitan Dayton Educational Cooperative Association**

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

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

**10. GROUP INSURANCE PURCHASING POOL**

The District is a member of the Southwestern Ohio Educational Purchasing Council (SOEPC). The cooperative contracts with Comp Management to provide an insurance purchasing pool for workers compensation. The District is penalty rated due to a large number of claims and therefore does not receive the low rate. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

**11. STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2004, the reserve activity was as follows:

|   | <b>Textbook<br/>and<br/>Instructional<br/>Material<br/>Reserve</b> | <b>Capital and<br/>Maintenance<br/>Reserve</b> | <b>Budget<br/>Stabilization</b> |
|---|--|--|---------------------------------|
| Set-aside Reserve Balance as of June 30, 2003 |  |  | \$628,343                       |
| Carryover Balance                             | (\$315,242)  |  |                                 |
| Current Year Set-Aside Requirement            | \$752,358  | \$752,358                                      |                                 |
| Qualifying Disbursements                      | (\$478,498)  | (\$4,489,922)                                  | (\$628,343)                     |
| Set-aside Reserve Balance as of June 30, 2004 | (\$41,382)   |  |                                 |

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. The special audit of the District, which covered January 1, 1997 through December 31, 2002, issued federal questioned costs of \$9,947. In the opinion of management, these claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**B. Litigation**

The District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the District.

**C. 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 plan 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 its financial operations

**13. FISCAL CAUTION AND WATCH**

The Ohio Department of Education performed a fiscal analysis of the District in November 2003, and placed the District in fiscal caution effective February 23, 2004. The Auditor of State placed the District in Fiscal Watch on May 25, 2004. The district submitted a financial recovery plan on December 30, 2004 which was approved by the Ohio Department of Education on January 26, 2005. The district is still projecting a deficit balance at the end of Fiscal Year 2006.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

| Federal Grantor/<br>Pass Through Grantor<br>Program Title                                | Federal<br>CFDA<br>Number | Pass<br>Through<br>Number | Receipts           | Non-Cash<br>Receipts | Disbursements      | Non-Cash<br>Disbursements |
|--|---------------------------|---------------------------|--------------------|----------------------|--------------------|---------------------------|
| <b>U.S. Department of Agriculture</b>  |                           |                           |                    |                      |                    |                           |
| <i>Passed through Ohio Department of Education</i>                                       |                           |                           |                    |                      |                    |                           |
| Nutrition Cluster:   |                           |                           |                    |                      |                    |                           |
| Food Donation  | 10.550                    | N/A                       |                    | \$94,780             |                    | \$94,780                  |
| School Breakfast Program   | 10.553                    | 05-PU                     | \$67,760           |                      | \$67,760           |                           |
| National School Lunch Program  | 10.555                    | LL-P4                     | 455,847            |                      | 455,847            |                           |
| National School Lunch - Fruit and Vegetable Program                                      | 10.555                    | VG-S1                     | 12,008             |                      | 12,008             |                           |
| Total National School Lunch Program  |                           |                           | <u>467,855</u>     |                      | <u>467,855</u>     |                           |
| Summer Food Service Program for Children   | 10.559                    | 03-PU                     | 11,146             |                      | 11,146             |                           |
| Total U.S. Department of Agriculture - Nutrition Cluster                                 |                           |                           | <u>546,761</u>     | 94,780               | <u>546,761</u>     | 94,780                    |
| <b>U.S. Department of Education</b>  |                           |                           |                    |                      |                    |                           |
| <i>Passed through Ohio Department of Education</i>                                       |                           |                           |                    |                      |                    |                           |
| Title I, Grants to Local Educational Agencies  | 84.010                    | C1-S1-03                  | (123,801)          |                      | 97,279             |                           |
|  |                           | C1-S1-04                  | 1,030,405          |                      | 813,468            |                           |
| Total Title I, Grants to Local Educational Agencies                                      |                           |                           | <u>906,604</u>     |                      | <u>910,747</u>     |                           |
| Special Education Cluster:   |                           |                           |                    |                      |                    |                           |
| Special Education_Grants to States   | 84.027                    | 6B-SF-03                  |                    |                      | 117,586            |                           |
|  |                           | 6B-SF-04                  | 669,296            |                      | 596,130            |                           |
| <i>(Spent on Behalf of District by Greene County Educational Service Center)</i>         |                           |                           |                    |                      |                    |                           |
| Autism Grant   | 84.027                    | N/A                       | 3,189              |                      | 3,189              |                           |
| Total Special Education_Grants to States   |                           |                           | <u>672,485</u>     |                      | <u>716,905</u>     |                           |
| <i>Passed through Ohio Department of Education</i>                                       |                           |                           |                    |                      |                    |                           |
| Special Education_Preschool Grant  | 84.173                    | PG-S1-03-P                | 2,495              |                      | 5,613              |                           |
|  |                           | PG-S1-04                  | 37,683             |                      | 34,815             |                           |
| Total Special Education_Preschool Grant  |                           |                           | <u>40,178</u>      |                      | <u>40,428</u>      |                           |
| Total Special Education Cluster  |                           |                           | <u>712,663</u>     |                      | <u>757,333</u>     |                           |
| Safe and Drug-Free Schools and Communities_National Program                              | 84.186                    | DR-S1-03                  | 3,814              |                      | 3,814              |                           |
|  |                           | DR-S1-04                  | 28,496             |                      | 24,505             |                           |
| Total Safe and Drug-Free Schools and Communities_National Program                        |                           |                           | <u>32,310</u>      |                      | <u>28,319</u>      |                           |
| State Grants for Innovative Program  | 84.298                    | C2-S1-03                  |                    |                      | 14,714             |                           |
|  |                           | C2-S1-04                  | 34,600             |                      | 34,572             |                           |
| Total State Grants for Innovative Program  |                           |                           | <u>34,600</u>      |                      | <u>49,286</u>      |                           |
| Education Technology State Grant   | 84.318                    | TJ-S1-03                  | 26,950             |                      | 22,404             |                           |
| Assistive Technology Program   | 84.352A                   | AT-S3-02                  | (41)               |                      | 953                |                           |
| English Language Acquisition Grant   | 84.365                    | T3-S1-03                  |                    |                      | 3,176              |                           |
|  |                           | T3-S1-04                  | 16,226             |                      | 14,578             |                           |
| Total English Language Acquisition Grant   |                           |                           | <u>16,226</u>      |                      | <u>17,754</u>      |                           |
| Improving Teacher Quality State Grant  | 84.367                    | TR-S1-04                  | 292,427            |                      | 270,681            |                           |
| <i>(Spent on Behalf of the District by Greene County Educational Service Center)</i>     |                           |                           |                    |                      |                    |                           |
| Safe and Drug-Free Schools and Community_State Grants                                    | 84.184                    | N/A                       | 4,083              |                      | 4,083              |                           |
| <b>U.S. Department of Education</b>  |                           |                           |                    |                      |                    |                           |
| <i>(Direct Program)</i>  |                           |                           |                    |                      |                    |                           |
| Impact Aid   | 84.041                    | N/A                       | 1,549,721          |                      | 1,549,721          |                           |
| Fund for the Improvement of Education  | 84.215                    | N/A                       | 220,925            |                      | 124,771            |                           |
| <b>Total U. S. Department of Education</b>   |                           |                           | <u>3,796,468</u>   |                      | <u>3,736,052</u>   |                           |
| <b>U. S. Department of Health and Human Services</b>                                     |                           |                           |                    |                      |                    |                           |
| <i>Passed through Ohio Department of Mental Retardation and Developmental Disability</i> |                           |                           |                    |                      |                    |                           |
| <i>(Spent by Greene County Educational Service Center on Behalf of Fairborn)</i>         |                           |                           |                    |                      |                    |                           |
| Medical Assistance Program   | 93.778                    | N/A                       | 9,901              |                      | 9,901              |                           |
| Total Federal Financial Assistance   |                           |                           | <u>\$4,353,130</u> | \$94,780             | <u>\$4,292,714</u> | \$94,780                  |

See accompanying notes to the Schedule of Federal Awards Expenditures.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the Fairborn City School District, Greene County, (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated March 8, 2005, wherein we noted that the District has reported on the cash basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. We also noted that the District is experiencing certain financial difficulties. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 to 2004-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District, in a separate letter dated March 8, 2005.

#### **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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-004 through 2004-005. 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.

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

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.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2004-004 to be a material weakness. We also 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 March 8, 2005.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

March 8, 2005



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

#### **Compliance**

We have audited the compliance of Fairborn City School District, Greene County, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated March 8, 2005.

#### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 8, 2005.

This report is intended for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

March 8, 2005



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>         | Yes  |
| <b>(d)(1)(ii)</b>   | <b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b> | Yes  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>                       | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>              | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>      | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | - Impact Aid CFDA # 84.041;<br>- Title I CFDA #84.010;<br>- Fund for the Improvement of Education CFDA #84.215 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others   |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | No   |

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

**FINDING NUMBER 2004-001**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Administrative Code Section 117-2-03 (B)** requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and various other administrative remedies may be taken against the District.

**FINDING NUMBER 2004-002**

**Ohio Rev. Code Section 9.38** states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The High School secretary received money from advisors for fundraisers to deposit into the School District's Treasury but the monies were held for up to 4 weeks before being deposited. Advisors were collecting money from students and using the monies to pay for out of pocket expenses, instead of depositing the funds, per the School District's Reimbursement Policy.

All monies collected by advisors, teachers, etc. from students should be deposited with the treasurer, and paid into the appropriate fund and special cost center.

**FINDING NUMBER 2004-003**

**Ohio Rev. Code Section 149.351** states all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Section 149.41, Revised Code.

**FINDING NUMBER 2004-003  
(Continued)**

Supporting documentation for the following was not made available by the District during audit:

- Tickets sold and collected at sporting events,
- High School parking fees
- Athletic's checking account bank reconciliations
- High School Newspaper ad sales
- High School Student Council ticket records
- High School Yearbook sale records
- Class of 2004 sign in sheets and senior trip spreadsheet

Athletic Director, Advisors and Building personnel should retain all records as stated on the approved retention schedule.

**FINDING NUMBER 2004-004**

**Athletic Procedures**

The following weaknesses were noted in the collection of tickets by the Athletic Department at various events:

- Tickets were not issued at some games, contrary to reports submitted to the Board office.
- Errors were made when calculating tickets sold and amount due on the Ticket Sale Report resulting in undisclosed shortages.
- Unsold tickets were not accounted for.

The following procedures should be used at all sporting events for which admission is charged:

- All ticket buyers should be given a ticket.
- Ticket takers should tear the ticket in half; half should be given to the purchaser and keep the other half.
- The Athletic Director should collect the ticket halves after the last ticket is sold. The tickets should be place in an envelope with the date and event mark on the envelope;
- Cash receipts should be totalled, deposit slip prepared, and signed, and secured in a locked bag. A person independent of the cash collection should complete and sign the Ticket Sales Report. After the Ticket Sale Report is completed, the amount of the deposit should be recorded and any overage or shortages noted.
- The Treasurer should audit ticket sales periodically. The Treasurer should collect tickets sold, money, unsold tickets and the Ticket Sales Report with the 1<sup>st</sup> ticket of the roll attached. The Treasurer should count the money and complete the Ticket Sales Report. Any unusual variances should be investigated.
- The Athletic Director should recheck the Ticket Sales Report calculations to prevent errors from being made and not detected in a timely manner.

**FINDING NUMBER 2004-005**

**Student Activity Fundraisers**

The following weaknesses were noted when reviewing student activity records:

- ad contracts were not consistently marked as paid or include the date, check number and amount paid;
- receipts were not written for all money collected;
- order forms were not completed for all yearbooks sold;
- cash receipts were used for expenses instead of depositing the monies and following the proper procedures for expenditures;
- junior high yearbooks were returned but the advisor did not follow up on status of credit memo;
- students did not sign for merchandise received, returned.;
- order forms were not marked paid, the date or amount paid included, nor were sales records maintained to date.

This could cause students to pay for merchandise and/or receive merchandise they were not eligible to receive, or cause their payments to be misclassified.

The following procedures should be followed:

- A student activity handbook should be written, approved by the Board and given to each advisor stating fundraiser and depositing procedures. Advisors should sign a statement stating they received and read the handbook.
- Advisors should write a receipt for all money collected, mark ad contracts and order forms 'paid' and include the date and amount paid on the form.
- Order forms should reflect any changes such as items returned or taking additional items to sell.
- Advisors should not accept any gift certificates or coupons in lieu of payment but if such payment is received the certificate should be submitted to the Treasurer or Superintendent and accepted by the Board of Education in the minutes. The Board should adopt a policy on procedures for accepting gifts.
- Advisors should verify that a credit memo is received for any merchandise returned.
- Students should sign for merchandise when received, if additional merchandise is received or returned.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2004**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b> |
|----------------|---|------------------|--|
| 2003-001       | Finding for recovery against Ellen Shelley in the amount of \$1,750   | Yes              |  |
| 2003-002       | Finding for recovery for the ROTC advisors to close their outside bank account  | Yes              |  |
| 2003-003       | Finding for recovery against Jeri Moss in the amount of \$3,234.80  | Yes              |  |
| 2003-004       | Finding for recovery against the Athletic Booster Assn. to pay money collected from various sport clubs fundraisers into the District | No               | Partially Corrected; still owes \$125.95   |
| 2003-005       | Finding for recovery against Pamela Gayheart for the amount of \$5,750.64   | No               | Partially Corrected; Ms. Gayheart has an agreement with the District to make bi-weekly payments                                  |
| 2003-006       | Finding for recovery against Billie Harris in the amount of \$2,558.53  | Yes              |  |
| 2003-007       | Finding for recovery against Deborah Roshto in the amount of \$4,265.03   | No               | Not Corrected; Ms. Roshto has not repaid the money or made any arrangements  |
| 2003-008       | Finding for recovery against Ernest Sheeler Sr. in the amount of \$2,401.13   | No               | Partially Corrected; Mr. Sheeler has an agreement with the District to make bi-weekly payments                                   |
| 2003-009       | Finding for adjustment – construction fund interest posted to the Building Fund instead of General                                    | Yes              |  |
| 2003-010       | Finding for adjustment – repayment of construction overpayment was posted to incorrect fund   | Yes              |  |
| 2003-011       | Finding for adjustment – part of Nonexpendable Trust Funds principal amounts were spent   | Yes              |  |
| 2003-012       | ORC Section 9.38 – money not being posted within 24 hours   | No               | Not corrected; reissued as finding 2004-002  |
| 2003-013       | ORC Section 117.38 – District did not prepare its annual financial report in accordance with GAAP                                     | No               | Not corrected; reissued as finding 2004-001  |
| 2003-014       | Ohio Const. Art. VIII, Section 4 – District owns McDonald stocks which are unallowable investments                                    | No               | Not corrected; reported in a separate letter to management of the district   |
| 2003-015       | ORC Section 135.22 – Treasurer did not complete the continuing education program  | Yes              |  |
| 2003-016       | ORC Section 149.351 – destruction of records  | No               | Not corrected; reissued as finding 2004-003  |
| 2003-017       | ORC Section 5705.10 – funds had negative balances throughout the year   | No               | Partially corrected; reported in a separate letter to management of the district   |
| 2003-018       | ORC Section 5705.36 (A)2, failure to obtain a reduced amended certificate of estimated resources                                      | Yes              |  |
| 2003-019       | ORC Section 5705.38, failure to pass permanent appropriation by October 10, 2002  | Yes              |  |
| 2003-020       | ORC Section 5705.39; appropriations exceeded total estimated resources  | Yes              |  |

Fairborn City School District  
Greene County  
Schedule of Prior Year Findings  
Page 2

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b> |
|----------------|--|------------------|--|
| 2003-021       | ORC Section 5705.40, Board fail to approve all appropriation amendments made by the Treasurer  | Yes              |  |
| 2003-022       | ORC Section 5705.41 (B), expenditures exceeded appropriations at the legal level of control  | No               | Partially corrected; reported in a separate letter to management of the district   |
| 2003-023       | ORC Section 5705.412, failure to sign 412 certificates   | Yes              |  |
| 2003-024       | ORC Section 5705.41(D), failure to encumber funds prior to purchase commitments  | Yes              |  |
| 2003-025       | Failure to provide a SAS 70 for the third party administrator for self insurance   | Yes              |  |
| 2003-026       | Failure of Food Service to back up records and unusual variances to go unexplained   | Yes              |  |
| 2003-027       | Whitt Trust Fund was classified as a Non-Expendable Trust fund instead of Expendable Trust as support documents states   | Yes              |  |
| 2003-028       | Failure to follow Board approved purchasing policies and procedures  | Yes              |  |
| 2003-029       | Vague reimbursement policy and employees reimbursed for amounts in contrast to travel form   | Yes              |  |
| 2003-030       | High School Yearbook Club excepted gift certificates in exchanged for advertisement  | Yes              |  |
| 2003-031       | Student Activity Clubs were in disarray; receipts were not written and fundraising money being used for other merchandise instead of being deposited                             | No               | Not corrected; reissued as finding 2004-005  |
| 2003-032       | Salary errors were made to numerous employees wages  | Yes              |  |
| 2003-033       | Checking and payroll bank reconciliation had unresolved reconciling variances that could not be explained  | No               | Partially corrected; reported in a separate letter to management of the district   |
| 2003-034       | Athletic records were in disarray; a prior interim treasurer was the only signature on the signature card; failure to adopt policy establishing allowable or maximum expenditure | No               | Not corrected; reissued as finding 2004-004  |
| 2003-035       | Failure to maintain accountability over season passes  | No               | Not corrected; reissued as finding 2004-004  |
| 2003-036       | Failure of Board to approve classroom materials and fee schedule; Junior High did not collect their fee contrary to the handbook   | Yes              |  |
| 2003-037       | Allowed Athletic Boosters to sell season passes and place the money in their account   | Yes              |  |
| 2003-038       | Failure of Board to approve advances   | Yes              |  |



**Auditor of State  
Betty Montgomery**

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**FAIRBORN CITY SCHOOL DISTRICT**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 5, 2005**