

FAIRVIEW AREA SCHOOLS  
FAIRVIEW, MICHIGAN  
FINANCIAL STATEMENTS  
JUNE 30, 2012

FAIRVIEW AREA SCHOOLS

JUNE 30, 2012

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FAIRVIEW AREA SCHOOLS

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Fairview Area Schools  
Fairview, MI 48621

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairview Area Schools as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fairview Area Schools, as of June 30, 2012, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012 on our consideration of Fairview Area Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education  
Fairview Area Schools  
Fairview, MI 48621

Accounting principles generally accepted in the United States of America require that the administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Fairview Area Schools' financial statements. The accompanying pages of other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Those schedules and statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
October 22, 2012

## Management's Discussion and Analysis

As management of the Fairview Area Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,290,067 (*net assets*). Of this amount, \$1,028,198 (*unrestricted net assets*) may be used to meet the District's ongoing obligations, \$159,990 is reserved for debt service, and \$603,484 is reserved for capital projects (sinking fund) use.
- The District's total net assets increased by \$420,449.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,798,636, an increase of \$89,921 in comparison with the prior year. Approximately 47%, or \$848,497 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$848,497 or 29% of total general fund expenditures.
- The District's total debt decreased by \$440,000 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, and athletics. The District has no business-type activities as of and for the year ended June 30, 2012.

The District-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *government activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service fund, and capital projects fund, each of which are considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-24 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining fund statements and schedules can be found on pages 26-27 of this report.

## District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the Fairview Area Schools District, assets exceeded its liabilities by \$5,290,067 at the close of the most recent fiscal year.

The largest portion of the District's net assets (66%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### District's Net Assets

	<b>Governmental Activities</b>	
	<b>2011-12</b>	<b>2010-11</b>
Current and Other Assets	\$ 2,076,252	\$ 2,036,672
Capital Assets, Net	4,453,395	4,566,075
Total Assets	<u>6,529,647</u>	<u>6,602,747</u>
Current Liabilities	749,580	778,129
Long-term Liabilities	490,000	955,000
Total Liabilities	<u>1,239,580</u>	<u>1,733,129</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,498,395	3,171,075
Restricted	763,474	662,203
Unrestricted	<u>1,028,198</u>	<u>1,036,340</u>
<b>Total Net Assets</b>	<b>\$ <u>5,290,067</u></b>	<b>\$ <u>4,869,618</u></b>

An additional portion of the District's net assets (14%) represents resources that are subject to external restrictions on how they may be used.

The District's net assets increased by \$420,449 during the current fiscal year. Included in the current fiscal year was a decrease in the foundation allowance funding by the State of Michigan in the amount of \$470, the rate was \$6,846 per student. The District's blended enrollment decreased by 8 to approximately 321 students.



## District's Changes in Net Assets

	Governmental Activities	
	2011-12	2010-11
<b>Revenue:</b>		
Program Revenue:		
Charges for Services	\$ 183,606	\$ 118,491
Operating Grants and Contributions	600,768	639,533
General Revenue:		
Property Taxes	2,717,195	2,649,830
State School Aid	183,057	312,704
Investment Earnings	3,772	3,893
Other	48,887	83,609
<b>Total Revenue</b>	<b>3,737,285</b>	<b>3,808,060</b>
<b>Expenses:</b>		
Instruction	1,902,159	1,951,092
Support Services	1,005,684	896,203
Food Services	140,691	134,294
Athletics	28,854	28,330
Interest on Long-Term Debt	57,823	76,162
Depreciation - Unallocated	181,625	179,753
<b>Total Expenses</b>	<b>3,316,836</b>	<b>3,265,834</b>
<b>Increase in Net Assets</b>	<b>420,449</b>	<b>542,226</b>
Net Assets, Beginning of Year	4,869,618	4,327,392
<b>Net Assets, End of Year</b>	<b>\$ 5,290,067</b>	<b>\$ 4,869,618</b>

**Governmental Activities.** Governmental activities increased the District's net assets \$420,449.

### Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$1,798,636, an increase of \$89,921 in comparison with the prior year. Approximately 47% of this total amount (\$848,497) constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is *committed or restricted* and not available for current expenditure.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$848,497. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 29% and 33% respectively of total general fund expenditures.

The fund balance of the District’s general fund decreased by \$22,181 during the current fiscal year. This increase is primarily attributable to a slight increase in revenue and a smaller increase in expenses.

The food service fund has a total fund balance of \$42,955, which increased by \$2,538.

The athletic fund has a total fund balance of \$45,060, which increased by \$8,293.

**General Fund Budgetary Highlights**

Differences between the original and final amended budgets were relatively minor, an 8% increase in revenues and an 8% increase in expenses. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various District programs.

**Capital Asset and Debt Administration**

**Capital Assets.** The District’s investment in capital assets for its governmental activities as of June 30, 2012, amounted to \$4,453,395 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

The district purchased equipment for \$4,992 and made improvements to the buildings for \$63,953.

**District's Capital Assets**  
(net of depreciation)

	<u>2011-12</u>	<u>2010-11</u>
Land Improvements	\$ 163,950	\$ 210,012
Buildings & Improvements	4,192,713	4,251,683
Vehicles	47,778	56,442
Equipment	<u>48,954</u>	<u>47,938</u>
<b>Total</b>	<b>\$ <u>4,453,395</u></b>	<b>\$ <u>4,566,075</u></b>

Additional information on the District’s capital assets can be found on note 5 on page 21 of this report.

**Long-term debt.** The District, as of June 30, 2012, had the following debt issues with outstanding balances:

**District's Long-Term Debt**

	<u>2011-12</u>	<u>2010-11</u>
1998 Bond Issue	\$ 955,000	\$ 1,395,000
	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>955,000</u></b>	<b>\$ <u>1,395,000</u></b>

Additional information on the District’s long-term debt can be found in note 7 on page 22 of this report.

**Factors Bearing on the District’s Future**

The following factors were considered in preparing the District’s budget for the 2012-2013 fiscal year:

- The slow economy has continued to create a unfavorable conditions for people to move into the area or to remain in the area. This factor contributes to stagnant student counts. The budget is based on a blended student count of 310.
- An estimated increase of \$119 in the foundation grant combined with the increasing costs of operation results in a deficit budget of approximately \$119,000. The costs of utilities, health insurance, and other contractual obligations continue to impact the budget, even though budget reductions have been implemented. Three primary factors weigh most heavily on our budget:
  1. Increases and additions to retirement programs will impact future costs..
  2. Unpredictable changes in state and federal allocations.
  3. Escalating health insurance costs.
- Stagnant enrollment continues to create program and fiscal stress for the District.

**Requests for Information**

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Fairview Area Schools  
 Superintendent’s Office  
 1879 E. Miller Rd.  
 Fairview, MI 48621

FAIRVIEW AREA SCHOOLS  
BASIC FINANCIAL STATEMENTS

FAIRVIEW AREA SCHOOLS  
DISTRICT WIDE - STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>ASSETS</u>	<u>Governmental Activities</u>
<b>Current Assets</b>		
Cash and investments (Note 3)		\$ 1,925,434
Property taxes receivable (Note 4)		-
Accounts receivable (Note 4)		10,200
Due from governmental units (Note 4)		136,687
Inventory		3,931
Total current assets		<u>2,076,252</u>
<b>Noncurrent Assets</b>		
Capital assets (Note 5)		8,517,131
Less: accumulated depreciation		<u>(4,063,736)</u>
Total noncurrent assets		<u>4,453,395</u>
Total assets		<u>\$ 6,529,647</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<b>Current Liabilities</b>		
Accounts payable		\$ 6,418
Accrued salaries and withholdings		165,906
Accrued terminal leave		68,550
Accrued interest		6,964
Deferred revenue (Note 4)		36,742
Bonds payable, Due within one year (Note 7)		465,000
Total current liabilities		<u>749,580</u>
<b>Noncurrent Liabilities</b>		
Bonds payable (Note 7)		<u>490,000</u>
Total noncurrent liabilities		<u>490,000</u>
Total Liabilities		<u>1,239,580</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt		3,498,395
Restricted for debt service		159,990
Restricted for capital projects		603,484
Unrestricted		<u>1,028,198</u>
Total Net Assets		<u>5,290,067</u>
Total Liabilities and Net Assets		<u>\$ 6,529,647</u>

See accompanying notes

FAIRVIEW AREA SCHOOLS  
DISTRICT WIDE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues		Governmental Activities
<b>Functions/programs</b>	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Instruction	\$ 1,902,159	\$ 59,815	\$ 484,916	\$ (1,357,428)
Support services	1,005,684	59,403	-	(946,281)
Food services	140,691	27,316	115,852	2,477
Athletics	28,854	37,072	-	8,218
Interest on long term debt	57,823			(57,823)
Depreciation - unallocated	181,625	-	-	(181,625)
Total Governmental Activities	\$ 3,316,836	\$ 183,606	\$ 600,768	(2,532,462)
<b>General Revenues</b>				
Taxes				
Property taxes, levied for general operations				2,054,461
Property taxes, levied for debt service				488,425
Property taxes, levied for capital projects - sinking fund				174,309
State of Michigan aid, unrestricted				183,057
Interest and investment earnings				3,772
Other				48,887
Total General Revenues				2,952,911
<b>Change in Net Assets</b>				420,449
Net assets - beginning of year				4,869,618
Net assets - end of year				\$ 5,290,067

See accompanying notes

FAIRVIEW AREA SCHOOLS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	GENERAL	1998 DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<b>ASSETS</b>					
Cash and investments	\$ 1,098,527	\$ 160,005	\$ 599,478	\$ 67,424	\$ 1,925,434
Property taxes receivable	-	-	-	-	-
Accounts receivable	10,200	-	-	-	10,200
Due from other governmental units	135,622	-	-	1,065	136,687
Due from other funds	20	-	4,011	15,595	19,626
Inventory	-	-	-	3,931	3,931
Total Assets	\$ 1,244,369	\$ 160,005	\$ 603,489	\$ 88,015	\$ 2,095,878
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 6,418	\$ -	\$ -	\$ -	\$ 6,418
Accrued salaries and withholdings	165,906	-	-	-	165,906
Accrued terminal leave	68,550	-	-	-	68,550
Due to other funds	19,606	15	5	-	19,626
Deferred revenue	36,742	-	-	-	36,742
Total Liabilities	297,222	15	5	-	297,242
<b>FUND BALANCES:</b>					
Nonspendable - inventory	-	-	-	3,931	3,931
Restricted for food service	-	-	-	39,024	39,024
Restricted for athletics	-	-	-	45,060	45,060
Restricted for debt retirement	-	159,990	-	-	159,990
Restricted for capital projects	-	-	603,484	-	603,484
Committed - General Fund - Note 12	98,650	-	-	-	98,650
Unassigned - General Fund	848,497	-	-	-	848,497
Total Fund Balances	947,147	159,990	603,484	88,015	1,798,636
Total Liabilities and Fund Balances	\$ 1,244,369	\$ 160,005	\$ 603,489	\$ 88,015	\$ 2,095,878
Total Governmental Fund Balances				\$ 1,798,636	
Elimination of due to and due from governmental funds					
Due to				19,626	
Due from				(19,626)	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.					
The cost of capital assets is			\$ 8,517,131		
Accumulated depreciation is			(4,063,736)		
				4,453,395	
Long term liabilities are not due and payable in the current period and are not reported in the fund					
Bonds payable				(955,000)	
Accrued interest is not included as a liability in governmental funds				(6,964)	
Net Assets of Governmental Activities				\$ 5,290,067	

See accompanying notes

FAIRVIEW AREA SCHOOLS  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL	1998 DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<b>REVENUES:</b>					
Local sources	\$ 2,103,289	\$ 488,994	\$ 177,805	\$ 64,524	\$ 2,834,612
State sources	313,721	-	-	6,016	319,737
Federal sources	354,252	-	-	109,836	464,088
Interdistrict sources	118,848	-	-	-	118,848
Total Revenues	2,890,110	488,994	177,805	180,376	3,737,285
<b>EXPENDITURES:</b>					
Current:					
Instruction	1,902,159	-	-	-	1,902,159
Support services	928,321	-	-	169,545	1,097,866
Debt service	-	501,331	-	-	501,331
Capital outlay	4,992	-	63,953	-	68,945
Intergovernmental payments	76,819	182	62	-	77,063
Total Expenditures	2,912,291	501,513	64,015	169,545	3,647,364
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(22,181)	(12,519)	113,790	10,831	89,921
<b>FUND BALANCES - Beginning of year</b>					
	969,328	172,509	489,694	77,184	1,708,715
<b>FUND BALANCES - End of year</b>					
	\$ 947,147	\$ 159,990	\$ 603,484	\$ 88,015	\$ 1,798,636

See accompanying notes



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

Net Change in Fund Balances - Total Governmental Funds	\$	89,921
<p>Amounts reported for governmental activities are different because:</p> <p>Government funds report capital outlays as expenditures;  in the statement of activities these costs are allocated  over their estimated useful lives as depreciation.</p>		
Depreciation expense	\$	(181,625)
Capital Outlay		<u>68,945</u>
		(112,680)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid		3,208
Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		<u>440,000</u>
Change in Net Assets of Governmental Activities	\$	<u><u>420,449</u></u>

FAIRVIEW AREA SCHOOLS  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012

	<u>2012</u>
<u>ASSETS</u>	
Cash	\$ <u>24,364</u>
Total Assets	\$ <u><u>24,364</u></u>
 <u>LIABILITIES</u>	
Deposits held for others	\$ <u>24,364</u>
Total Liabilities	\$ <u><u>24,364</u></u>

FAIRVIEW AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Fairview Area Schools ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the District:

REPORTING ENTITY

The District is governed by an elected seven member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the school district. Based on the application criteria, the District does not contain any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported a separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

(Continued)

FAIRVIEW AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
(continued)

Fund Based Statements - Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the District.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The 1998 Debt Service Fund is used to record tax, interest, and other revenue for payment of principle, interest and other expenditures of the 1998 bond issue.

The Capital Projects Fund is used to record sinking fund property taxes and other revenue and expenditures specifically designated for renovating and improving existing facilities. The fund operates until the purpose for which it was created is accomplished.

Additionally, the District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletic Fund.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District maintains a Student Activities Fund to record the transactions of student and parent groups school-related purposes. The funds are segregated and held in trust for the students and parents.

(Continued)

FAIRVIEW AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2011 taxable value of the District was \$56,385,551 principal residence and \$113,020,724 non-principal residence. The District levied 18.0000 mills for operating purposes on non-principal residence; 2.8000 mills for debt service and 1.0000 mills for the sinking fund all property for 2011.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$1,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized. The District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	8 years
Furniture and other equipment	5-20 years
Land improvements	20 years

(Continued)

FAIRVIEW AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

Compensated Absences - Fairview Area Schools has a provision in its employee policy whereby terminal leave vests with each employee and, consequently, the School has a financial obligation it must meet at such time the employee leaves the employ of the School. The amount of these accrued termination benefits as of June 30, 2012 is approximately \$68,550 and has been reported as a liability on the General Fund Balance Sheet.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Government Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned.

Governmental funds report *nonspendable fund balances* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact.

*Restricted fund balances* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, and finally unassigned fund balance.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

(Continued)

FAIRVIEW AREA SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Budgetary Information - (continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - The District incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund: Support Services:			
Technology	\$ 26,944	\$ 27,823	\$ 879

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>District Total</u>
Cash and investments	\$ 1,925,434	\$ 24,364	\$ 1,949,798
Total	<u>\$ 1,925,434</u>	<u>\$ 24,364</u>	<u>\$ 1,949,798</u>

The breakdown between deposits and investments for the District is as follows:

Deposits (checking, savings, certificates of deposit)	\$ 1,949,798
Investments (investment pool)	-
	<u>\$ 1,949,798</u>

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool	<u>\$ -</u>	<u>31 days</u>

Interest rate risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2012 the District did not have any investments in commercial paper or corporate bonds.

(Continued)

FAIRVIEW AREA SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Concentration of credit risk

The District will minimize the concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2012 the District's investments were in a pooled investment fund.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2012, \$- of the District's bank balance of \$1,949,798 was exposed to custodial risk because it was uninsured.

Custodial credit risk - investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2012. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk

The District is not authorized to invest in investments which have this type of risk.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>1998 Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Property tax receivable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	10,200	-	-	-	10,200
Intergovernmental	<u>135,622</u>	-	-	<u>1,065</u>	<u>136,687</u>
Total receivables	<u>\$ 145,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,065</u>	<u>\$ 146,887</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants and categorical aid payment not considered available	\$ -	\$ 36,742
Payments received prior to meeting all eligibility requirements:		
Other	-	-
Totals	<u>\$ -</u>	<u>\$ 36,742</u>
Total deferred revenue		<u>\$ 36,742</u>

(Continued)



FAIRVIEW AREA SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the District's Governmental activities were as follows:

<u>Assets</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital assets being depreciated:				
Land improvements	\$ 937,169	\$ -	\$ -	\$ 937,169
Buildings & improvements	6,075,940	63,953	-	6,139,893
Buses & vehicles	384,276	-	45,422	338,854
Furniture & equipment	1,096,223	4,992	-	1,101,215
Subtotal	<u>8,493,608</u>	<u>68,945</u>	<u>45,422</u>	<u>8,517,131</u>
<u>Accumulated Depreciation</u>				
Land improvements	727,157	46,062	-	773,219
Buildings & improvements	1,824,257	122,923	-	1,947,180
Buses & vehicles	327,834	8,664	45,422	291,076
Furniture & equipment	1,048,285	3,976	-	1,052,261
Subtotal	<u>3,927,533</u>	<u>181,625</u>	<u>45,422</u>	<u>4,063,736</u>
Net capital assets being depreciated	<u>4,566,075</u>	<u>(112,680)</u>	<u>-</u>	<u>4,453,395</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 4,566,075</u>	<u>\$ (112,680)</u>	<u>\$ -</u>	<u>\$ 4,453,395</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General	\$ 20	General	\$ 19,606
Nonmajor governmental	15,595	1998 Debt	15
Capital Projects	4,011	Capital Projects	5
Total	<u>\$ 19,626</u>	Total	<u>\$ 19,626</u>

The above interfund balances, if any, occurred as a result of routine activity between the funds and the balances are expected to be paid during the next fiscal year.

<u>Transfer In</u>	<u>Transfer Out</u>	
None	None	\$ None

(Continued)

FAIRVIEW AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

NOTE 7 - LONG-TERM DEBT

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge full faith and credit of the school district.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
General Obligation Bonds:				
1998 Issue	\$ 1,395,000	\$ (440,000)	\$ 955,000	\$ 465,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Governmental Activities	\$ <u>1,395,000</u>	\$ <u>(440,000)</u>	\$ <u>955,000</u>	\$ <u>465,000</u>

Annual debt service requirements to maturity for the General Obligation Bonds are as follows:

Year Ended <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 465,000	\$ 41,782	\$ 506,782
2014	490,000	21,437	511,437
Total	\$ <u>955,000</u>	\$ <u>63,219</u>	\$ <u>1,018,219</u>

General Obligation Bonds payable at June 30, 2012 is comprised of the following issue:

General obligation bonds:	
1998 serial bonds due in annual installments	
ranging from \$415,000 to \$490,000 through	
May 1, 2014; interest rate of 4.375%	\$ <u>955,000</u>

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

FAIRVIEW AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

NOTE 8 - RISK MANAGEMENT (continued)

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The District participates in the Michigan Public School Employees' Retirement System (MPSERS), a state-wide, cost sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the district. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the MPSERS result from implementing the effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 20.66% for the period July 1, 2011 through September 30, 2011 and 24.46% for the period October 1, 2011 through June 30, 2012 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan (MIP) members contribute at rates ranging from 3% to 4.3% of gross wages and MIP PLUS members contribute from 3% to 6.4% of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2012, 2011, and 2010 were \$377,016, \$291,024, and \$249,943.

Post Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of health coverage which is funded on a cash basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental, and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

(Continued)

FAIRVIEW AREA SCHOOLS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

NOTE 10 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, all known liabilities for claims paid by the Agency are recorded as accounts payable.

NOTE 11 - CAPITAL PROJECTS FUND

The Capital Projects Fund includes sinking fund activities funded with property taxes levied. For the accounting activity of this capital project, the Fairview Area Schools have complied with the applicable provisions of Section 380.1212 of the Revised School Code for the year ended June 30, 2012.

NOTE 12 - COMMITTED FUND BALANCE

The School Board has committed fund balance in the General Fund as follows:

<u>Item</u>	<u>Amount</u>
Terminal leave	\$ 25,920
Bus replacement	25,000
Technology	25,000
Capital improvements	11,730
Furniture/equipment	11,000
Total	<u>\$ 98,650</u>

REQUIRED SUPPLEMENTAL INFORMATION

FAIRVIEW AREA SCHOOLS  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2012 Original	2012 Final		
<b>REVENUES</b>				
Local sources	\$ 1,994,675	\$ 2,079,650	\$ 2,103,289	\$ 23,639
State sources	280,014	329,498	313,721	(15,777)
Federal sources	356,698	374,277	354,252	(20,025)
Interdistrict sources	97,539	152,413	118,848	(33,565)
Total Revenues	<u>2,728,926</u>	<u>2,935,838</u>	<u>2,890,110</u>	<u>(45,728)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Basic programs	1,287,760	1,432,368	1,407,310	(25,058)
Added needs	543,494	539,490	494,849	(44,641)
Support services:				
Pupil services	78,773	78,855	78,771	(84)
Instructional staff	21,544	17,185	14,884	(2,301)
General administration	214,459	232,847	225,463	(7,384)
School administration	65,843	86,901	81,630	(5,271)
Business	137,969	131,003	130,430	(573)
Operation & maintenance	206,092	255,108	230,676	(24,432)
Transportation	131,637	144,599	136,446	(8,153)
Technology	24,386	26,944	27,823	879
Pupil activities	-	4,925	4,925	-
Support services - Other	2,766	19,574	2,265	(17,309)
Intergovernmental	100,140	83,900	76,819	(7,081)
Total Expenditures	<u>2,814,863</u>	<u>3,053,699</u>	<u>2,912,291</u>	<u>(141,408)</u>
Excess of Revenues over (under) Expenditures	(85,937)	(117,861)	(22,181)	95,680
Budgetary fund balance - July 1, 2011	<u>969,328</u>	<u>969,328</u>	<u>969,328</u>	<u>-</u>
Budgetary fund balance - June 30, 2012	<u>\$ 883,391</u>	<u>\$ 851,467</u>	<u>\$ 947,147</u>	<u>\$ 95,680</u>

OTHER SUPPLEMENTAL INFORMATION

FAIRVIEW AREA SCHOOLS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Nonmajor Special Revenue Funds		Nonmajor Governmental Funds
	Food Service	Athletics	Total
<b><u>ASSETS</u></b>			
Cash and investments	\$ 22,364	\$ 45,060	\$ 67,424
Accounts receivable	-	-	-
Due from other governmental units	1,065	-	1,065
Due from other funds	15,595	-	15,595
Inventory	3,931	-	3,931
			-
Total Assets	\$ 42,955	\$ 45,060	\$ 88,015

**LIABILITIES AND FUND BALANCES**

Liabilities:

Accounts payable	\$ -	\$ -	\$ -
Accrued salaries	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total Liabilities	-	-	-

Fund Balances:

Nonspendable - inventory	3,931	-	3,931
Restricted for food service	39,024	-	39,024
Restricted for athletics	-	45,060	45,060
Total Fund Balance	42,955	45,060	88,015

Total Liabilities and Fund Balances	\$ 42,955	\$ 45,060	\$ 88,015
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FAIRVIEW AREA SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Nonmajor Special Revenue Funds</u>		<u>Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Local sources	\$ 27,377	\$ 37,147	\$ 64,524
State sources	6,016	-	6,016
Federal sources	<u>109,836</u>	<u>-</u>	<u>109,836</u>
 Total Revenues	 <u>143,229</u>	 <u>37,147</u>	 <u>180,376</u>
<b><u>EXPENDITURES:</u></b>			
Current operations:			
Food service	140,691	-	140,691
Athletics	-	28,854	28,854
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>140,691</u>	 <u>28,854</u>	 <u>169,545</u>
 Excess (Deficiency) of Revenues over Expenditures	 2,538	 8,293	 10,831
 Fund Balance - Beginning of Year	 <u>40,417</u>	 <u>36,767</u>	 <u>77,184</u>
 Fund Balance - End of Year	 <u>\$ 42,955</u>	 <u>\$ 45,060</u>	 <u>\$ 88,015</u>

FAIRVIEW AREA SCHOOLS  
GENERAL FUND  
COMPARATIVE DETAIL OF REVENUES  
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	2012	2011
Local Sources:		
Current property taxes	\$ 2,054,461	\$ 1,977,532
Earnings on investments	1,838	1,988
Miscellaneous	46,990	52,405
Total Local Sources	2,103,289	2,031,925
State Sources:		
Grants - Unrestricted:		
State Aid	183,057	312,704
Grants - Restricted:		
At risk	53,298	82,825
Special education	59,575	53,510
Other	17,791	7,102
Received through ISD:		
Other	-	-
Total State Sources	313,721	456,141
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	10,069	9,264
Received through State:		
Title I	118,758	108,345
Title I - ARRA	577	34,472
Title II	24,919	30,690
ARRA stabilization	-	36,680
Other grants	75,813	-
Received through ISD:		
Special Ed - Flow through	90,588	87,690
Special Ed - Flow through - ARRA	-	41,389
Other grants	-	-
Other federal revenue - from County	33,528	36,193
Total Federal Sources	354,252	384,723
Interdistrict:		
Special Education	55,366	27,386
Other	63,482	47,457
Total Interdistrict	118,848	74,843
TOTAL REVENUES	\$ 2,890,110	\$ 2,947,632

FAIRVIEW AREA SCHOOLS  
GENERAL FUND  
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2012

INSTRUCTION:	<u>2012</u>	<u>2011</u>
Basic Programs:		
Elementary:		
Salaries	\$ 398,228	\$ 332,253
Employee benefits	236,773	180,607
Purchased services	273	297
Supplies & materials	16,914	7,372
Other expenses	-	1,350
Capital outlay	-	-
	<u>652,188</u>	<u>521,879</u>
Middle School:		
Salaries	169,298	168,986
Employee benefits	75,560	73,385
Purchased services	2,337	778
Supplies & materials	3,431	8,853
Capital outlay	-	-
	<u>250,626</u>	<u>252,002</u>
High School:		
Salaries	288,731	348,824
Employee benefits	178,104	195,772
Purchased services	26,807	30,942
Supplies & materials	10,854	10,595
Other expenses	-	10,203
Capital outlay	-	-
	<u>504,496</u>	<u>596,336</u>
	<u>1,407,310</u>	<u>1,370,217</u>
TOTAL BASIC PROGRAMS		
Added Needs:		
Special Education:		
Salaries	173,034	207,087
Employee benefits	103,361	110,274
Purchased services	560	1,410
Supplies & materials	791	814
	<u>277,746</u>	<u>319,585</u>
Compensatory Education:		
Salaries	115,889	145,900
Employee benefits	38,205	75,011
Purchased services	6,205	841
Supplies & materials	12,335	3,722
Capital outlay	-	-
	<u>172,634</u>	<u>225,474</u>
Career Technical Education		
Purchased services	44,469	35,816
	<u>494,849</u>	<u>580,875</u>
TOTAL ADDED NEEDS		
	<u>1,902,159</u>	<u>1,951,092</u>
TOTAL INSTRUCTION		

FAIRVIEW AREA SCHOOLS  
GENERAL FUND  
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
SUPPORT SERVICES:		
Support Services - Pupil:		
Guidance:		
Salaries	\$ 57,740	\$ 56,076
Employee benefits	18,446	15,743
Purchased services	1,519	837
Supplies & materials	-	-
Capital outlay	-	-
	<u>77,705</u>	<u>72,656</u>
Other Pupil Services:		
Purchased services	1,066	500
Supplies & materials	-	-
	<u>1,066</u>	<u>500</u>
TOTAL SUPPORT SERVICES - PUPIL	<u>78,771</u>	<u>73,156</u>
Support Services - Instructional Staff:		
Improvement of Instruction:		
Salaries	-	-
Employee benefits	-	-
Purchased services	10,069	11,939
Supplies & materials	-	-
Other expenses	-	-
	<u>10,069</u>	<u>11,939</u>
Library:		
Salaries	-	659
Employee benefits	-	162
Purchased services	1,278	1,466
Supplies & materials	1,980	2,197
	<u>3,258</u>	<u>4,484</u>
Other Instructional Staff:		
Salaries	-	-
Purchased services	1,435	1,974
Supplies & materials	122	359
Capital outlay	-	-
	<u>1,557</u>	<u>2,333</u>
TOTAL SUPPORT SERVICES - INSTRUCTIONAL STAFF	<u>14,884</u>	<u>18,756</u>
General Administration:		
Board of Education:		
Salaries	-	-
Purchased services	41,751	33,201
Supplies & materials	2,076	1,550
Other expenses	1,240	1,545
Capital outlay	-	-
	<u>45,067</u>	<u>36,296</u>

**FAIRVIEW AREA SCHOOLS**  
**GENERAL FUND**  
**COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES - (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
Executive Administration:		
Salaries	\$ 98,721	\$ 89,105
Employee benefits	72,288	19,597
Purchased services	7,571	2,429
Supplies & materials	726	937
Other expenses	1,090	805
Capital outlay	-	-
	180,396	112,873
TOTAL SUPPORT SERVICES - GENERAL ADMINISTRATION	225,463	149,169
School Administration:		
Office of the Principal:		
Salaries	51,541	45,510
Employee benefits	26,994	17,384
Purchased services	1,809	2,091
Supplies & materials	1,286	1,002
Other expenses	-	-
Capital outlay	-	-
	81,630	65,987
TOTAL SUPPORT SERVICES - SCHOOL ADMINISTRATION	81,630	65,987
Support Services - Business:		
Other Business Services:		
Salaries	26,400	25,830
Employee benefits	24,749	23,047
Purchased services	40,995	36,189
Supplies & materials	24,038	8,789
Other expenses	9,256	8,359
Capital outlay	4,992	4,644
	130,430	106,858
TOTAL SUPPORT SERVICES - BUSINESS	130,430	106,858
Operation & Maintenance:		
Salaries	64,999	66,923
Employee benefits	38,487	41,247
Purchased services	44,279	35,722
Supplies & materials	82,911	89,140
Capital outlay	-	-
	230,676	233,032
TOTAL SUPPORT SERVICES - OPERATION & MAINTENANCE	230,676	233,032

**FAIRVIEW AREA SCHOOLS**  
**GENERAL FUND**  
**COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
Pupil Transportation:		
Salaries	\$ 63,834	\$ 71,558
Employee benefits	25,093	23,378
Purchased services	16,455	12,484
Supplies & materials	31,064	18,714
Other expenses	-	-
Capital outlay	-	-
TOTAL SUPPORT SERVICES - PUPIL TRANSPORTATION	136,446	126,134
Planning and Evaluation:		
Purchased services	-	-
TOTAL SUPPORT SERVICES - PLANNING AND EVALUATION	-	-
Technology:		
Purchased services	27,823	22,666
Supplies & materials	-	-
Capital outlay	-	-
TOTAL SUPPORT SERVICES - TECHNOLOGY	27,823	22,666
Employee benefits - unclassified	2,265	6,650
Pupil Activities:		
Purchased services	4,925	-
TOTAL SUPPORT SERVICES	933,313	802,408
INTERGOVERNMENTAL		
Tuition	71,508	89,867
Other	5,311	7,436
TOTAL INTERGOVERNMENTAL	76,819	97,303
TOTAL EXPENDITURES	2,912,291	2,850,803
OTHER FINANCING USES:		
Loan payments	-	-
Operating transfer - Special Revenue Fund	-	-
TOTAL OTHER FINANCING USES	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 2,912,291	\$ 2,850,803

FAIRVIEW AREA SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	<u>FOOD SERVICE</u>	<u>ATHLETIC</u>	<u>TOTALS</u>	
			<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>				
Cash	\$ 22,364	\$ 45,060	\$ 67,424	\$ 54,942
Accounts receivable	-	-	-	-
Due from other governmental units	1,065	-	1,065	1,036
Due from other funds	15,595	-	15,595	17,950
Inventory	3,931	-	3,931	3,256
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>42,955</u>	\$ <u>45,060</u>	\$ <u>88,015</u>	\$ <u>77,184</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued salaries	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<hr/> -	<hr/> -	<hr/> -	<hr/> -
 <b>FUND BALANCE</b>				
Nonspendable - inventory	3,931	-	3,931	3,256
Restricted for food service	39,024	-	39,024	37,161
Restricted for athletics	-	45,060	45,060	36,767
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balance	<hr/> 42,955	<hr/> 45,060	<hr/> 88,015	<hr/> 77,184
Total Liabilities and Fund Balance	\$ <u>42,955</u>	\$ <u>45,060</u>	\$ <u>88,015</u>	\$ <u>77,184</u>

**FAIRVIEW AREA SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2011**

	<u>FOOD SERVICE</u>	<u>ATHLETIC</u>	<u>TOTALS</u>	
			<u>2012</u>	<u>2011</u>
<b><u>REVENUES</u></b>				
Revenue from Local Sources:				
Food service activities	\$ 27,377	\$ -	\$ 27,377	\$ 29,298
Athletic activities	-	37,147	37,147	41,808
State aid	6,016	-	6,016	5,622
Federal aid	109,836	-	109,836	105,751
<b>TOTAL REVENUES</b>	<b><u>143,229</u></b>	<b><u>37,147</u></b>	<b><u>180,376</u></b>	<b><u>182,479</u></b>
<b><u>EXPENDITURES:</u></b>				
Food service activities	85,948	-	85,948	79,650
Athletic activities	-	28,854	28,854	25,875
Salaries	41,570	-	41,570	45,059
Employee benefits	13,173	-	13,173	12,040
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b><u>140,691</u></b>	<b><u>28,854</u></b>	<b><u>169,545</u></b>	<b><u>162,624</u></b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>2,538</u></b>	<b><u>8,293</u></b>	<b><u>10,831</u></b>	<b><u>19,855</u></b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b><u>40,417</u></b>	<b><u>36,767</u></b>	<b><u>77,184</u></b>	<b><u>57,329</u></b>
<b>FUND BALANCE - END OF YEAR</b>	<b><u>\$ 42,955</u></b>	<b><u>\$ 45,060</u></b>	<b><u>\$ 88,015</u></b>	<b><u>\$ 77,184</u></b>



**FAIRVIEW AREA SCHOOLS**  
**TRUST AND AGENCY FUNDS**  
**STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	BALANCES JULY 1, <u>2011</u>	REVENUES	EXPENDITURES	BALANCES JUNE 30 <u>2012</u>
Class of 2012	\$ 3,373	\$ 9,230	\$ 12,603	\$ -
Class of 2013	1,318	3,644	2,680	2,282
Class of 2014	750	1,133	884	999
Class of 2015	-	1,226	68	1,158
Yearbook Fund	2,040	238	-	2,278
Book Fair - Library	742	17	126	633
Music Fund	413	7,836	5,806	2,443
Middle School	1,130	2,929	2,796	1,263
Spirit Committee	357	-	111	246
Cash Box:				
Elementary	2,945	1,312	2,399	1,858
Special Education - Tootsie Roll Fund	2,263	1,145	1,057	2,351
Cash Box - Other	176	424	432	168
High School	3,258	3,093	4,468	1,883
MI U.P. Trip	1,522	7,434	7,427	1,529
Character Counts	156	-	156	-
Art Class	233	-	233	-
Kids Garden Club	324	-	324	-
Elem. Girl's Basketball	75	-	-	75
School Newspaper	1,817	-	-	1,817
Baseball	-	1,750	1,609	141
Senior Scholarship	3,463	5	3,217	251
Varsity Soccer	350	-	-	350
Drama Club	740	769	960	549
Student Council	374	832	111	1,095
Track	153	20	-	173
Cross Country	-	2,202	2,198	4
Jr High Cheerleading	879	211	974	116
Volleyball	59	-	-	59
Jr High Boys Basketball	471	540	765	246
JV Girls Basketball	15	-	-	15
Jr High Girls Basketball	365	47	378	34
Softball	389	-	320	69
Equestrian	402	131	500	33
HS Peer Tutoring	228	1,000	982	246
Totals	<u>\$ 30,780</u>	<u>\$ 47,168</u>	<u>\$ 53,584</u>	<u>\$ 24,364</u>

FAIRVIEW AREA SCHOOLS  
 SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS  
 JUNE 30, 2012

DATE OF ISSUE - AUGUST 1, 1998

Original amount of issue - \$ 5,275,000

Purpose of issue - Erecting, furnishing, and equipping additions to and partially remodeling, refurbishing and re-equipping the K-12 school building, in part, for a media center, gymnasium and cafeteria; acquiring, installing and equipping the school building for technology; and relocating a playground and improving and developing the site.

Early Redemption - Bonds maturing in the years 1999 through 2008 inclusive shall not be subject to redemption prior to maturity. Bonds maturing in the years 2009 and thereafter, shall be subject to redemption prior to maturity, at the option of the School District, in such order as the School District may determine and by lot within any maturity, on any interest payment date on or after May 1, 2008 at par and accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
4.375%	2012-13	\$ 20,891	\$ 20,891	\$ 465,000	\$ 506,782
4.375%	2013-14	10,719	10,718	490,000	511,437
		<u>\$ 31,610</u>	<u>\$ 31,609</u>	<u>\$ 955,000</u>	<u>\$ 1,018,219</u>

## APPENDICE



## ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Robert J. Carpenter, CPA  
Rodney C. Robertson, CPA

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education  
Fairview Area Schools  
Fairview, MI 48621

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairview Area Schools as of and for the year ended June 30, 2012, which collectively comprise Fairview Area Schools' basic financial statements and have issued our report thereon dated October 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of Fairview Area Schools' is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fairview Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fairview Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fairview Area Schools' internal control over financial reporting.

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

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

Board of Education  
Fairview Area Schools  
Fairview, MI 48621

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairview Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Noncompliance issue: Cash Management for federal programs

The District requested and received funds before the month of August payroll expense had been paid. The August payroll expense was the final payrolls that were accrued at June 30, 2012. This is a finding for compliance as the expense must be paid before federal funds are received.

#### Managements response:

The District understands cash management compliance and has not had any issues in this area in prior years. The finding in the current year occurred due to an mistake in timing of the request for funds and will be corrected in the future. The district has a system whereby the expense totals are examined as of a specific date, reviewed and then the funds are requested on a reimbursed basis. When the funds request at the end of July was computed the District failed to remove the accrued payroll for August from the amount requested. Future requests to cover the accrued payroll will either be made twice, once at the end of July and once at the end of August or one request will be made at the end of August.

Fairview Area Schools' response to the finding identified in our audit is described above. We did not audit Fairview Area Schools' response and, accordingly we express no opinion on it.

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

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
October 22, 2012