

FAIRVIEW AREA SCHOOLS
FAIRVIEW, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2013

FAIRVIEW AREA SCHOOLS

JUNE 30, 2013

ADMINISTRATION

SUPERINTENDENT

ROBERT RICKETSON

BOARD OF EDUCATION

PRESIDENT

BETH MILLER

VICE PRESIDENT

CHRIS NEFF

SECRETARY

DIANA DANHOFF

TREASURER

ANNE TOMPKINS

TRUSTEE

KIRK PETERSON

TRUSTEE

RANDY SHANTZ

TRUSTEE

MERIANNE TAPPAN

TRUSTEE

HERB TRADER

FAIRVIEW AREA SCHOOLS

Table of Contents

Page

INDEPENDENT AUDITOR'S REPORT	1-2
ADMINISTRATION'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS:	
District-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Fiduciary Fund:	
Statement of Fiduciary Net Position	14
Notes to Financial Statements	15-24
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General Fund	25
OTHER SUPPLEMENTAL INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	26
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	27
General Fund:	
Comparative Schedule of Revenues	28
Comparative Schedule of Expenditures	29-32
Special Revenue Funds:	
Combining Balance Sheet	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	34
Trust and Agency Funds:	
Statement of Changes in Deposits Held for Others	35
Schedule of Bonded Indebtedness	36
APPENDICE	
Report internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	37-38



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

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

INDEPENDENT AUDITOR'S REPORT

Board of Education
Fairview Area Schools
Fairview, Michigan 48621

We have audited the accompanying financial statements of the government activities, each major fund, and the aggregate remaining fund information of Fairview Area Schools as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

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, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Education
Fairview Area Schools
Fairview, Michigan 48621

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management'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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fairview Area Schools' basic financial statements. The comparative schedules of revenues and other financing sources, and expenditures, and the statement of changes in deposits held for others are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative schedules of revenues and other financing sources, and expenditures, and the statement of changes in deposits held for others are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of revenues and expenditures are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, on our consideration of Fairview Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fairview Area Schools' internal control over financial reporting and compliance.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
October 8, 2013

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, 2013.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,703,098 (*net position*). Of this amount, \$1,011,113 (*unrestricted net position*) may be used to meet the District's ongoing obligations, \$144,742 is reserved for debt service, and \$510,761 is reserved for capital projects (sinking fund) use.
- The District's total net position increased by \$413,031.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,464,385, a decrease of \$128,447 in comparison with the prior year. Approximately 37%, or \$626,029 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 \$626,029 or 22% of total general fund expenditures.
- The District's total debt decreased by \$465,000 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 position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 2013.

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 position 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 \$5,703,098 at the close of the most recent fiscal year.

The largest portion of the District's net position (71%) 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 Position

	Governmental Activities	
	2012-13	2011-12
Current and Other Assets	\$ 1,986,810	\$ 2,076,252
Capital Assets, Net	4,526,482	4,453,395
Total Assets	<u>6,513,292</u>	<u>6,529,647</u>
Current Liabilities	810,194	749,580
Long-term Liabilities	-	490,000
Total Liabilities	<u>810,194</u>	<u>1,239,580</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	4,036,482	3,498,395
Restricted	655,503	763,474
Unrestricted	<u>1,011,113</u>	<u>1,028,198</u>
Total Net Position	\$ <u>5,703,098</u>	\$ <u>5,290,067</u>

An additional portion of the District's net position (11%) represents resources that are subject to external restrictions on how they may be used.

The District's net position increased by \$413,031 during the current fiscal year. Included in the current fiscal year was an increase in the foundation allowance funding by the State of Michigan in the amount of \$120, the rate was \$6,966 per student. The District's blended enrollment remained constant at approximately 321 students.

District's Changes in Net Position

	Governmental Activities	
	2012-13	2011-12
Revenue:		
Program Revenue:		
Charges for Services	\$ 83,588	\$ 183,606
Operating Grants and Contributions	571,829	600,768
General Revenue:		
Property Taxes	2,728,800	2,717,195
State School Aid	218,932	183,057
Investment Earnings	2,865	3,772
Other	71,699	48,887
Total Revenue	3,677,713	3,737,285
Expenses:		
Instruction	1,844,264	1,902,159
Support Services	993,187	1,005,684
Food Services	146,926	140,691
Athletics	42,312	28,854
Interest on Long-Term Debt	38,390	57,823
Depreciation - Unallocated	199,603	181,625
Total Expenses	3,264,682	3,316,836
Increase in Net Position	413,031	420,449
Net Position, Beginning of Year	5,290,067	4,869,618
Net Position, End of Year	\$ 5,703,098	\$ 5,290,067

Governmental Activities. Governmental activities increased the District's net position \$413,031.

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 \$1,670,189, a decrease of \$128,447 in comparison with the prior year. Approximately 37% of this total amount (\$626,029) 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 \$626,029. 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 22% and 33% respectively of total general fund expenditures.

The fund balance of the District’s general fund decreased by \$16,664 during the current fiscal year. This increase is primarily attributable to a slight decrease in revenue and a larger decrease in expenses.

The food service fund has a total fund balance of \$45,296, which increased by \$2,341.

The athletic fund has a total fund balance of \$38,907, which decreased by \$6,153.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor, a 5% increase in revenues and a 5% 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, 2013, amounted to \$4,526,482 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

The district purchased equipment for \$3,895 and made improvements to the buildings and grounds for \$268,795.

District's Capital Assets
(net of depreciation)

	<u>2012-13</u>	<u>2011-12</u>
Land Improvements	\$ 128,509	\$ 163,950
Buildings & Improvements	4,313,625	4,192,713
Vehicles	39,114	47,778
Equipment	<u>45,234</u>	<u>48,954</u>
Total	\$ <u>4,526,482</u>	\$ <u>4,453,395</u>

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, 2013, had the following debt issues with outstanding balances:

District's Long-Term Debt

	<u>2012-13</u>	<u>2011-12</u>
1998 Bond Issue	\$ 490,000	\$ 955,000
	<u>-</u>	<u>-</u>
Total	\$ <u>490,000</u>	\$ <u>955,000</u>

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 2013-2014 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 315.
- An estimated increase of \$60 in the foundation grant combined with the increasing costs of operation results in a deficit budget of approximately \$206,000. 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 POSITION
JUNE 30, 2013

	<u>ASSETS</u>	<u>Governmental Activities</u>
Current Assets		
Cash and investments (Note 3)		\$ 1,818,186
Accounts receivable (Note 4)		1,200
Due from governmental units (Note 4)		160,864
Inventory		6,560
Total current assets		<u>1,986,810</u>
Noncurrent Assets		
Capital assets (Note 5)		8,789,821
Less: accumulated depreciation		<u>(4,263,339)</u>
Total noncurrent assets		<u>4,526,482</u>
Total assets		<u>\$ 6,513,292</u>
 <u>LIABILITIES AND NET POSITION</u> 		
Current Liabilities		
Accounts payable		\$ 15,657
Accrued salaries and withholdings		192,390
Accrued terminal leave		67,386
Accrued interest		3,573
Unearned revenue (Note 4)		41,188
Bonds payable, Due within one year (Note 7)		490,000
Total current liabilities		<u>810,194</u>
Noncurrent Liabilities		
Bonds payable (Note 7)		<u>-</u>
Total noncurrent liabilities		<u>-</u>
Total Liabilities		<u>810,194</u>
Net Position		
Invested in capital assets, net of related debt		4,036,482
Restricted for debt service		144,742
Restricted for capital projects		510,761
Unrestricted		<u>1,011,113</u>
Total Net Position		<u>5,703,098</u>
Total Liabilities and Net Position		<u>\$ 6,513,292</u>

See accompanying notes which are an integral part of the financial statements

FAIRVIEW AREA SCHOOLS
DISTRICT WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues		Governmental Activities
Functions/programs	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Instruction	\$ 1,844,264	\$ 6,922	\$ 447,267	\$ (1,390,075)
Support services	993,187	15,908	-	(977,279)
Food services	146,926	24,654	124,562	2,290
Athletics	42,312	36,104	-	(6,208)
Interest on long term debt	38,390			(38,390)
Depreciation - unallocated	199,603	-	-	(199,603)
 Total Governmental Activities	 \$ 3,264,682	 \$ 83,588	 \$ 571,829	 (2,609,265)
 General Revenues				
Taxes				
Property taxes, levied for general operations				2,061,685
Property taxes, levied for debt service				491,616
Property taxes, levied for capital projects - sinking fund				175,499
State of Michigan aid, unrestricted				218,932
Interest and investment earnings				2,865
Other				71,699
 Total General Revenues				 3,022,296
Change in Net Position				413,031
Net position - beginning of year				5,290,067
Net position - end of year				\$ 5,703,098

See accompanying notes which are an integral part of the financial statements

FAIRVIEW AREA SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>GENERAL</u>	1998 DEBT SERVICE	<u>CAPITAL PROJECTS</u>	OTHER NONMAJOR GOVERNMENTAL FUNDS	<u>TOTALS</u>
ASSETS					
Cash and investments	\$ 1,091,783	\$ 144,757	\$ 506,755	\$ 74,891	\$ 1,818,186
Accounts receivable	1,200	-	-	-	1,200
Due from other governmental units	158,726	-	-	2,138	160,864
Due from other funds	20	-	4,011	1,666	5,697
Inventory	-	-	-	6,560	6,560
Total Assets	<u>\$ 1,251,729</u>	<u>\$ 144,757</u>	<u>\$ 510,766</u>	<u>\$ 85,255</u>	<u>\$ 1,992,507</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 14,605	\$ -	\$ -	\$ 1,052	\$ 15,657
Accrued salaries and withholdings	192,390	-	-	-	192,390
Accrued terminal leave	67,386	-	-	-	67,386
Due to other funds	5,677	15	5	-	5,697
Unearned revenue	41,188	-	-	-	41,188
Total Liabilities	<u>321,246</u>	<u>15</u>	<u>5</u>	<u>1,052</u>	<u>322,318</u>
FUND BALANCES:					
Nonspendable - inventory	-	-	-	6,560	6,560
Restricted for food service	-	-	-	38,736	38,736
Restricted for athletics	-	-	-	38,907	38,907
Restricted for debt retirement	-	144,742	-	-	144,742
Restricted for capital projects	-	-	510,761	-	510,761
Committed - General Fund - Note 12	98,650	-	-	-	98,650
Assigned - General fund	205,804	-	-	-	205,804
Unassigned - General Fund	626,029	-	-	-	626,029
Total Fund Balances	<u>930,483</u>	<u>144,742</u>	<u>510,761</u>	<u>84,203</u>	<u>1,670,189</u>
Total Liabilities and Fund Balances	<u>\$ 1,251,729</u>	<u>\$ 144,757</u>	<u>\$ 510,766</u>	<u>\$ 85,255</u>	<u>\$ 1,992,507</u>
Total Governmental Fund Balances				\$ 1,670,189	
Elimination of due to and due from governmental funds					
Due to				5,697	
Due from				(5,697)	
Amounts reported for governmental activities in the statement of net position 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			\$ 8,789,821		
Accumulated depreciation is			<u>(4,263,339)</u>		
				4,526,482	
Long term liabilities are not due and payable in the current period and are not reported in the fund					
Bonds payable				(490,000)	
Accrued interest is not included as a liability in governmental funds				<u>(3,573)</u>	
Net Position of Governmental Activities				<u>\$ 5,703,098</u>	

See accompanying notes which are an integral part of the financial statements

FAIRVIEW AREA SCHOOLS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL	1998 DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTALS
REVENUES:					
Local sources	\$ 2,150,693	\$ 492,077	\$ 176,395	\$ 60,864	\$ 2,880,029
State sources	363,195	-	-	7,131	370,326
Federal sources	303,004	-	-	117,431	420,435
Interdistrict sources	6,923	-	-	-	6,923
Total Revenues	<u>2,823,815</u>	<u>492,077</u>	<u>176,395</u>	<u>185,426</u>	<u>3,677,713</u>
EXPENDITURES:					
Current:					
Instruction	1,844,264	-	-	-	1,844,264
Support services	927,175	-	-	189,238	1,116,413
Debt service	-	507,081	-	-	507,081
Capital outlay	3,895	-	268,795	-	272,690
Intergovernmental payments	65,145	244	323	-	65,712
Total Expenditures	<u>2,840,479</u>	<u>507,325</u>	<u>269,118</u>	<u>189,238</u>	<u>3,806,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(16,664)</u>	<u>(15,248)</u>	<u>(92,723)</u>	<u>(3,812)</u>	<u>(128,447)</u>
FUND BALANCES - Beginning of year	<u>947,147</u>	<u>159,990</u>	<u>603,484</u>	<u>88,015</u>	<u>1,798,636</u>
FUND BALANCES - End of year	<u>\$ 930,483</u>	<u>\$ 144,742</u>	<u>\$ 510,761</u>	<u>\$ 84,203</u>	<u>\$ 1,670,189</u>

See accompanying notes which are an integral part of the financial statements

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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (128,447)

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(199,603)	
Capital Outlay		<u>272,690</u>	73,087

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid			3,391
---	--	--	-------

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>465,000</u>
--	--	--	----------------

Change in Net Position of Governmental Activities \$ 413,031

See accompanying notes which are an integral part of the financial statements

FAIRVIEW AREA SCHOOLS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2013

	<u>2013</u>
<u>ASSETS</u>	
Cash	\$ <u>23,077</u>
Total Assets	\$ <u><u>23,077</u></u>
 <u>LIABILITIES</u>	
Deposits held for others	\$ <u>23,077</u>
Total Liabilities	\$ <u><u>23,077</u></u>

See accompanying notes which are an integral part of the financial statements

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 have any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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 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 as 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.

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 the payment is due.

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Capital Projects Fund is used to record bond proceeds or other revenue and expenditures related to invoices specifically designated for constructing new facilities, 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 Fund and the 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 position 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.

ASSETS, LIABILITIES AND NET POSITION 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 funds 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 2012 taxable value of the District was \$58,131,226 principal residence and \$113,887,077 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead and 2.8000 mills for debt service and 1.0000 mills sinking fund purposes on all property for 2012.

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.

(Continued)

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

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 unearned 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 General Fund and 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 one 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	10 years
Furniture and other equipment	10-20 years

Compensated Absences - Fairview Area Schools has a provision in its employee policy whereby terminal leave vests with each employee and, consequently, the District has a financial obligation it must meet at such time the employee leaves the employ of the District. The amount of these accrued termination benefits as of June 30, 2013 is approximately \$67,386 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 position.

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 - Governmental fund equity is classified as fund balance. Government fund report *nonspendable* fund balance 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 balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, *committed* fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the School Board. The District reports *assigned* fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted or 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.

(Continued)

FAIRVIEW AREA SCHOOLS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

Estimates - The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Deferred Outflow/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The District does not have deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (receipts) until that time. The District does not have any deferred inflows of resources.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting 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.

Excess of Expenditures Over Appropriations in Budgeted Funds - The District incurred expenditures in excess of the amended budget as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund:			
Support services - Pupil services	\$ 80,341	\$ 80,631	\$ 290

FAIRVIEW AREA SCHOOLS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

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	\$ 1,818,186	\$ 23,077	\$ 1,841,263
Total	<u>\$ 1,818,186</u>	<u>\$ 23,077</u>	<u>\$ 1,841,263</u>

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

Deposits (checking, savings)	\$ 1,841,063
Investments (investment pool)	-
	<u>\$ 1,841,063</u>

As of June 30, 2013 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool	\$ -	<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, 2013 the District did not have any investments in commercial paper or corporate bonds.

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, 2013 the District did not have any investments.

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, 2013, \$62,601 of the District's bank balance of \$1,888,519 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$1,841,273.

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, 2013. 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.

(Continued)

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Accounts receivable	\$ 1,200	\$ -	\$ -	\$ -	\$ 1,200
Intergovernmental	<u>158,726</u>	<u>-</u>	<u>-</u>	<u>2,138</u>	<u>160,864</u>
Total receivables	<u>\$ 159,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,138</u>	<u>\$ 162,064</u>

Governmental funds report unearned 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 unearned revenue are as follows:

	<u>Unearned</u>
Grants and categorical aid payment not considered available	\$ 41,188
Payments received prior to meeting all eligibility requirements:	
Other	<u>-</u>
Totals	<u>\$ 41,188</u>
 Total unearned revenue	 <u>\$ 41,188</u>

(Continued)

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS

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

<u>Assets</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets being depreciated:				
Land improvements	\$ 937,169	\$ 10,621	\$ -	\$ 947,790
Buildings & improvements	6,139,893	258,174	-	6,398,067
Buses & vehicles	338,854	-	-	338,854
Furniture & equipment	<u>1,101,215</u>	<u>3,895</u>	<u>-</u>	<u>1,105,110</u>
Subtotal	<u>8,517,131</u>	<u>272,690</u>	<u>-</u>	<u>8,789,821</u>
<u>Accumulated Depreciation</u>				
Land improvements	773,219	46,062	-	819,281
Buildings & improvements	1,947,180	137,262	-	2,084,442
Buses & vehicles	291,076	8,664	-	299,740
Furniture & equipment	<u>1,052,261</u>	<u>7,615</u>	<u>-</u>	<u>1,059,876</u>
Subtotal	<u>4,063,736</u>	<u>199,603</u>	<u>-</u>	<u>4,263,339</u>
Net capital assets being depreciated	<u>4,453,395</u>	<u>73,087</u>	<u>-</u>	<u>4,526,482</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 4,453,395</u>	<u>\$ 73,087</u>	<u>\$ -</u>	<u>\$ 4,526,482</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	\$ 5,677
Nonmajor governmental	1,666	1998 Debt	15
Capital Projects	<u>4,011</u>	Capital Projects	<u>5</u>
Total	<u>\$ 5,697</u>	Total	<u>\$ 5,697</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	<u>\$ None</u>	None	<u>\$ None</u>

(Continued)

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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	\$ 955,000	\$ (465,000)	\$ 490,000	\$ 490,000
	<u>955,000</u>	<u>(465,000)</u>	<u>490,000</u>	<u>490,000</u>
Total Governmental Activities	\$ <u>955,000</u>	\$ <u>(465,000)</u>	\$ <u>490,000</u>	\$ <u>490,000</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>
2014	\$ 490,000	\$ 21,437	\$ 511,437
Total	\$ 490,000	\$ 21,437	\$ 511,437

General Obligation Bonds payable at June 30, 2013 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>490,000</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.

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.

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 9 - NEW GASB STANDARDS

Effective July 1, 2012 the District adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement 65, "Items Previously Recognized as Assets and Liabilities". These statements establish and clarify new components of the Statement of Position. "Deferred Inflows of Resources" and "Deferred Outflows of Resources". At June 30, 2013 the District did not have items that fit the criteria for a deferred outflow of resources or a deferred inflow of resources. GASB 63 also changes the term "net assets", which was previously made up of assets, less liabilities, to "net position" which is now made up of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Accordingly any reference to "net assets" has been changed to "net position".

NOTE 10 - 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 administered by the State of Michigan, Department of Management and Budget, Office of Retirement Services ("ORS"). Effective December 1, 2012, members could elect to no longer contribute to the pension fund, and begin contributing to a defined contribution plan. MPSERS provides retirement, survivor and disability, death and post-employment health benefits to plan members and beneficiaries. Member Investment Plan ("MIP") participants receive enhanced benefits compared to Basic Plan participants. Benefits are safeguarded by Article IX, Section 24 of the Michigan Constitution. Public Act 300 of 1980, as amended, assigns authority to establish and amend benefit provisions to the State Legislature. 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 MPSERS, P.O. Box 30171, Lansing, MI 48909-7611, by calling (517) 322-5103 or on the State of Michigan website at www.Michigan.gov.

Funding Policy - Defined Benefit Plan - Plan members who participate in MIP are required to contribute 3% to 7% of their annual salary; plan members who participate in the Basic Plan contribute 3%; and the District is required to contribute at an actuarially determined rate using the individual entry age actuarial cost method. The rates were 24.46% and 23.23%, dependent on the entrance date, for the period of July 1, 2012 to September 30, 2012. From October 1, 2012 through January 31, 2013 the rates were 27.37% and 26.14% dependent on entrance date. Beginning February 1, 2013, the rates ranged between 20.96% and 24.32% based on individual retirement elections made by each employee. The contribution requirements of plan members and the District are established and may be amended by the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2013, 2012, and 2011 were \$372,968, \$377,016 and \$291,024 respectively.

Funding Policy - Defined Contribution Plan - Plan members who participate in the plan may contribute up to the maximum amounts permitted by the Internal Revenue Service to their 457 account. The District is required to contribute up to 4% to a tax deferred 401(k) account. The District's contributions to the defined contribution plan was \$1,520 for the year ended June 30, 2013.

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 disbursement 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.

FAIRVIEW AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 records capital project activities funded with Sinking Fund millage. For this fund, the Fairview Area Schools has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

NOTE 12 - COMMITTED FUND BALANCE

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

Item	Amount
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, 2013

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	<u>2013 Original</u>	<u>2013 Final</u>		
REVENUES				
Local sources	\$ 2,067,593	\$ 2,113,124	\$ 2,150,693	\$ 37,569
State sources	326,857	378,529	363,195	(15,334)
Federal sources	260,666	323,475	303,004	(20,471)
Interdistrict sources	67,377	41,047	6,923	(34,124)
Total Revenues	<u>2,722,493</u>	<u>2,856,175</u>	<u>2,823,815</u>	<u>(32,360)</u>
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,248,279	1,286,914	1,272,747	(14,167)
Added needs	504,880	595,734	563,451	(32,283)
Support services:				
Pupil services	79,337	80,341	80,631	290
Instructional staff	16,919	28,943	26,938	(2,005)
General administration	213,018	212,191	199,038	(13,153)
School administration	85,011	89,198	83,324	(5,874)
Business	169,790	154,986	121,491	(33,495)
Operation & maintenance	272,815	262,511	248,901	(13,610)
Transportation	143,354	155,967	146,307	(9,660)
Technology	27,894	28,254	25,489	(2,765)
Pupil activities	-	-	-	-
Support services - Other	2,775	8,882	7,017	(1,865)
Intergovernmental	78,000	70,212	65,145	(5,067)
Total Expenditures	<u>2,842,072</u>	<u>2,974,133</u>	<u>2,840,479</u>	<u>(133,654)</u>
Excess of Revenues over (under) Expenditures	(119,579)	(117,958)	(16,664)	101,294
Budgetary fund balance - July 1, 2012	<u>947,147</u>	<u>947,147</u>	<u>947,147</u>	<u>-</u>
Budgetary fund balance - June 30, 2013	<u>\$ 827,568</u>	<u>\$ 829,189</u>	<u>\$ 930,483</u>	<u>\$ 101,294</u>

OTHER SUPPLEMENTAL INFORMATION

FAIRVIEW AREA SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Nonmajor Special Revenue Funds		Nonmajor Governmental Funds
	Food Service	Athletics	Total
<u>ASSETS</u>			
Cash and investments	\$ 35,984	\$ 38,907	\$ 74,891
Accounts receivable	-	-	-
Due from other governmental units	2,138	-	2,138
Due from other funds	1,666	-	1,666
Inventory	6,560	-	6,560
			-
Total Assets	\$ 46,348	\$ 38,907	\$ 85,255
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,052	\$ -	\$ 1,052
Accrued salaries	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Total Liabilities	1,052	-	1,052
Fund Balances:			
Nonspendable - inventory	6,560	-	6,560
Restricted for food service	38,736	-	38,736
Restricted for athletics	-	38,907	38,907
Total Fund Balance	45,296	38,907	84,203
Total Liabilities and Fund Balances	\$ 46,348	\$ 38,907	\$ 85,255

FAIRVIEW AREA SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 OTHER FINANCING USES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Nonmajor Special Revenue Funds</u>		<u>Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>Total</u>
<u>REVENUES</u>			
Local sources	\$ 24,705	\$ 36,159	\$ 60,864
State sources	7,131	-	7,131
Federal sources	<u>117,431</u>	<u>-</u>	<u>117,431</u>
 Total Revenues	 <u>149,267</u>	 <u>36,159</u>	 <u>185,426</u>
<u>EXPENDITURES:</u>			
Current operations:			
Food service	146,926	-	146,926
Athletics	-	42,312	42,312
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>146,926</u>	 <u>42,312</u>	 <u>189,238</u>
 Excess (Deficiency) of Revenues over Expenditures	 2,341	 (6,153)	 (3,812)
 Fund Balance - Beginning of Year	 <u>42,955</u>	 <u>45,060</u>	 <u>88,015</u>
 Fund Balance - End of Year	 <u>\$ 45,296</u>	 <u>\$ 38,907</u>	 <u>\$ 84,203</u>

FAIRVIEW AREA SCHOOLS
GENERAL FUND
COMPARATIVE DETAIL OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
REVENUES		
Local Sources:		
Current property taxes	\$ 2,061,685	\$ 2,054,461
Earnings on investments	1,402	1,838
Miscellaneous	87,606	46,990
Total Local Sources	2,150,693	2,103,289
State Sources:		
Grants - Unrestricted:		
State Aid	218,932	183,057
Grants - Restricted:		
At risk	80,851	53,298
Special education	60,112	59,575
Other	3,300	17,791
Received through ISD:		
Other	-	-
Total State Sources	363,195	313,721
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	11,684	10,069
Received through State:		
Title I	156,347	118,758
Title I - ARRA	-	577
Title II	22,833	24,919
Other grants	-	75,813
Received through ISD:		
Special Ed - Flow through	75,743	90,588
Other grants	-	-
Other federal revenue - from County	36,397	33,528
Total Federal Sources	303,004	354,252
Interdistrict:		
Special Education	-	55,366
Other	6,923	63,482
Total Interdistrict	6,923	118,848
TOTAL REVENUES	\$ 2,823,815	\$ 2,890,110

FAIRVIEW AREA SCHOOLS
GENERAL FUND
COMPARATIVE DETAILS OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

INSTRUCTION:	<u>2013</u>	<u>2012</u>
Basic Programs:		
Elementary:		
Salaries	\$ 313,581	\$ 398,228
Employee benefits	197,106	236,773
Purchased services	1,792	273
Supplies & materials	9,899	16,914
Other expenses	-	-
Capital outlay	-	-
	<u>522,378</u>	<u>652,188</u>
Middle School:		
Salaries	154,838	169,298
Employee benefits	75,195	75,560
Purchased services	2,924	2,337
Supplies & materials	4,122	3,431
Capital outlay	-	-
	<u>237,079</u>	<u>250,626</u>
High School:		
Salaries	300,085	288,731
Employee benefits	163,941	178,104
Purchased services	33,378	26,807
Supplies & materials	9,841	10,854
Other expenses	6,045	-
Capital outlay	-	-
	<u>513,290</u>	<u>504,496</u>
TOTAL BASIC PROGRAMS	<u>1,272,747</u>	<u>1,407,310</u>
Added Needs:		
Special Education:		
Salaries	178,239	173,034
Employee benefits	105,604	103,361
Purchased services	2,947	560
Supplies & materials	2,160	791
	<u>288,950</u>	<u>277,746</u>
Compensatory Education:		
Salaries	151,889	115,889
Employee benefits	68,879	38,205
Purchased services	9,327	6,205
Supplies & materials	16,730	12,335
Capital outlay	-	-
	<u>246,825</u>	<u>172,634</u>
Career Technical Education		
Purchased services	<u>27,676</u>	<u>44,469</u>
TOTAL ADDED NEEDS	<u>563,451</u>	<u>494,849</u>
TOTAL INSTRUCTION	<u>1,836,198</u>	<u>1,902,159</u>

FAIRVIEW AREA SCHOOLS
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
SUPPORT SERVICES:		
Support Services - Pupil:		
Guidance:		
Salaries	\$ 59,324	\$ 57,740
Employee benefits	21,052	18,446
Purchased services	-	1,519
Supplies & materials	-	-
Capital outlay	-	-
	80,376	77,705
Other Pupil Services:		
Purchased services	255	1,066
Supplies & materials	-	-
	255	1,066
TOTAL SUPPORT SERVICES - PUPIL	80,631	78,771
Support Services - Instructional Staff:		
Improvement of Instruction:		
Salaries	815	-
Employee benefits	215	-
Purchased services	20,234	10,069
Supplies & materials	-	-
Other expenses	-	-
	21,264	10,069
Library:		
Salaries	-	-
Employee benefits	-	-
Purchased services	1,224	1,278
Supplies & materials	2,679	1,980
	3,903	3,258
Other Instructional Staff:		
Salaries	-	-
Purchased services	1,771	1,435
Supplies & materials	-	122
Capital outlay	-	-
	1,771	1,557
TOTAL SUPPORT SERVICES - INSTRUCTIONAL STAFF	26,938	14,884
General Administration:		
Board of Education:		
Employee benefits	4,000	-
Purchased services	23,831	41,751
Supplies & materials	4,432	2,076
Other expenses	1,241	1,240
Capital outlay	-	-
	33,504	45,067

FAIRVIEW AREA SCHOOLS
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>2013</u>	<u>2012</u>
Executive Administration:		
Salaries	\$ 99,570	\$ 98,721
Employee benefits	57,276	72,288
Purchased services	6,320	7,571
Supplies & materials	1,198	726
Other expenses	1,170	1,090
Capital outlay	-	-
	<u>165,534</u>	<u>180,396</u>
 TOTAL SUPPORT SERVICES - GENERAL ADMINISTRATION	 <u>199,038</u>	 <u>225,463</u>
 School Administration:		
Office of the Principal:		
Salaries	54,324	51,541
Employee benefits	25,770	26,994
Purchased services	1,976	1,809
Supplies & materials	1,254	1,286
Other expenses	-	-
Capital outlay	-	-
	<u>83,324</u>	<u>81,630</u>
 TOTAL SUPPORT SERVICES - SCHOOL ADMINISTRATION	 <u>83,324</u>	 <u>81,630</u>
 Support Services - Business:		
Other Business Services:		
Salaries	29,227	26,400
Employee benefits	19,606	24,749
Purchased services	35,956	40,995
Supplies & materials	32,807	24,038
Other expenses	-	9,256
Capital outlay	3,895	4,992
	<u>121,491</u>	<u>130,430</u>
 TOTAL SUPPORT SERVICES - BUSINESS	 <u>121,491</u>	 <u>130,430</u>
 Operation & Maintenance:		
Salaries	77,694	64,999
Employee benefits	43,017	38,487
Purchased services	39,909	44,279
Supplies & materials	88,281	82,911
Capital outlay	-	-
	<u>248,901</u>	<u>230,676</u>
 TOTAL SUPPORT SERVICES - OPERATION & MAINTENANCE	 <u>248,901</u>	 <u>230,676</u>

FAIRVIEW AREA SCHOOLS
GENERAL FUND
COMPARATIVE DETAIL OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
Pupil Transportation:		
Salaries	\$ 61,059	\$ 63,834
Employee benefits	23,814	25,093
Purchased services	28,243	16,455
Supplies & materials	33,191	31,064
Other expenses	-	-
Capital outlay	-	-
TOTAL SUPPORT SERVICES - PUPIL TRANSPORTATION	146,307	136,446
Planning and Evaluation:		
Purchased services	-	-
TOTAL SUPPORT SERVICES - PLANNING AND EVALUATION	-	-
Technology:		
Purchased services	25,489	27,823
Supplies & materials	-	-
Capital outlay	-	-
TOTAL SUPPORT SERVICES - TECHNOLOGY	25,489	27,823
Employee benefits - unclassified	7,017	2,265
Pupil Activities:		
Purchased services	-	4,925
TOTAL SUPPORT SERVICES	939,136	933,313
INTERGOVERNMENTAL		
Tuition	60,212	71,508
Other	4,933	5,311
TOTAL INTERGOVERNMENTAL	65,145	76,819
TOTAL EXPENDITURES	\$ 2,840,479	\$ 2,912,291

FAIRVIEW AREA SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012

	<u>FOOD SERVICE</u>	<u>ATHLETIC</u>	<u>TOTALS</u>	
			<u>2013</u>	<u>2012</u>
<u>ASSETS</u>				
Cash	\$ 35,984	\$ 38,907	\$ 74,891	\$ 67,424
Accounts receivable	-	-	-	-
Due from other governmental units	2,138	-	2,138	1,065
Due from other funds	1,666	-	1,666	15,595
Inventory	6,560	-	6,560	3,931
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>46,348</u>	\$ <u>38,907</u>	\$ <u>85,255</u>	\$ <u>88,015</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 1,052	\$ -	\$ 1,052	\$ -
Accrued salaries	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>1,052</u>	<u>-</u>	<u>1,052</u>	<u>-</u>
 <u>FUND BALANCE</u>				
Nonspendable - inventory	6,560	-	6,560	3,256
Restricted for food service	38,736	-	38,736	37,161
Restricted for athletics	-	38,907	38,907	36,767
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balance	<u>45,296</u>	<u>38,907</u>	<u>84,203</u>	<u>77,184</u>
Total Liabilities and Fund Balance	\$ <u>46,348</u>	\$ <u>38,907</u>	\$ <u>85,255</u>	\$ <u>77,184</u>

FAIRVIEW AREA SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012

	<u>FOOD SERVICE</u>	<u>ATHLETIC</u>	<u>TOTALS</u>	
			<u>2013</u>	<u>2012</u>
<u>REVENUES</u>				
Revenue from Local Sources:				
Food service activities	\$ 24,705	\$ -	\$ 24,705	\$ 27,377
Athletic activities	-	36,159	36,159	37,147
State aid	7,131	-	7,131	6,016
Federal aid	<u>117,431</u>	<u>-</u>	<u>117,431</u>	<u>109,836</u>
 TOTAL REVENUES	 <u>149,267</u>	 <u>36,159</u>	 <u>185,426</u>	 <u>180,376</u>
<u>EXPENDITURES:</u>				
Food service activities	84,778	-	84,778	85,948
Athletic activities	-	42,312	42,312	28,854
Salaries	45,545	-	45,545	41,570
Employee benefits	16,603	-	16,603	13,173
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>146,926</u>	 <u>42,312</u>	 <u>189,238</u>	 <u>169,545</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 2,341	 (6,153)	 (3,812)	 10,831
 FUND BALANCE - BEGINNING OF YEAR	 <u>42,955</u>	 <u>45,060</u>	 <u>88,015</u>	 <u>77,184</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 45,296</u>	 <u>\$ 38,907</u>	 <u>\$ 84,203</u>	 <u>\$ 88,015</u>

FAIRVIEW AREA SCHOOLS
TRUST AND AGENCY FUNDS
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2013

	BALANCES JULY 1, 2012	REVENUES	EXPENDITURES	BALANCES JUNE 30 2013
Class of 2013	\$ 2,282	\$ 9,500	\$ 11,782	\$ -
Class of 2014	999	4,320	3,643	1,676
Class of 2015	1,158	825	61	1,922
Class of 2016	-	726	55	671
Yearbook Fund	2,277	-	-	2,277
Book Fair - Library	633	604	1,196	41
Music Fund	2,443	11,108	12,727	824
Middle School	1,263	2,804	4,041	26
Spirit Committee	246	-	-	246
Cash Box:				
Elementary	1,858	2,319	1,790	2,387
Special Education - Tootsie Roll Fund	2,351	1,078	1,319	2,110
Cash Box - Other	168	364	60	472
High School	1,883	1,166	1,747	1,302
MI U.P. Trip	1,529	11,204	10,720	2,013
Elem. Girl's Basketball	75	-	-	75
School Newspaper	1,817	-	-	1,817
Baseball	141	-	-	141
Senior Scholarship	250	-	250	-
Varsity Soccer	350	53	-	403
Drama Club	550	191	-	741
Student Council	1,095	1,121	1,300	916
Track	173	-	52	121
MS Track	-	257	228	29
Cross Country	5	1,124	1,078	51
Jr High Cheerleading	116	88	106	98
Volleyball	59	600	50	609
Jr High Boys Basketball	246	832	726	352
Varsity Boys Basketball	-	702	200	502
Varsity Girls Basketball	-	3,927	2,989	938
JV Girls Basketball	15	65	-	80
Jr High Girls Basketball	34	180	180	34
Softball	69	119	119	69
Equestrian	33	459	492	-
HS Peer Tutoring	246	-	112	134
Totals	<u>\$ 24,364</u>	<u>\$ 55,736</u>	<u>\$ 57,023</u>	<u>\$ 23,077</u>

FAIRVIEW AREA SCHOOLS
 SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS
 JUNE 30, 2013

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%	2013-14	\$ 10,719	\$ 10,718	\$ 490,000	\$ 511,437
		\$ 10,719	\$ 10,718	\$ 490,000	\$ 511,437

APPENDICE



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

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, Michigan 48621

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Fairview Area Schools' basic financial statements and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fairview Area Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fairview Area Schools' internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Education
Fairview Area Schools
Fairview, Michigan 48621

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
October 8, 2013



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

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

October 8, 2013

To the Board of Education
Fairview Area Schools
Fairview, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairview Area Schools for the year ended June 30, 2013, and have issued our report thereon dated October 8, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 19, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Fairview Area Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Fairview Area Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 19, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fairview Area Schools are described in Note 1 to the financial statements. The District implemented GASB No. 63 and GASB No.65 as explained in note 9 during the year ended June 30, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was :

Management's estimate of the net book value of fixed assets is based on estimated depreciation lives. We evaluated the key factors and assumptions used to develop the depreciation lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

Robertson & Carpenter CPAs, PC
Certified Public Accountants