



Dave Yost • Auditor of State

**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY
JUNE 30, 2017**

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UNION COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, Union County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, Union County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the District restated beginning net position of governmental activities to properly report bonds payable and unamortized deferred charges on debt refundings. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension liabilities and pension contributions as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 26, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The management's discussion and analysis of Fairbanks Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position increased \$785,550. Net position of governmental activities increased \$783,129, which represents a 133.18% increase from 2016 as restated in Note 3.C. Net position of business-type activities increased \$2,421 from fiscal year 2016.
- For governmental activities, general revenues accounted for \$13,131,718, or 84.54% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,401,454, or 15.46%, of total revenues of \$15,533,172.
- The District had \$14,750,043 in expenses related to governmental activities; only \$2,401,454 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,131,718 were adequate to provide for the programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$13,044,607 in revenues and \$12,177,653 in expenditures and other financing uses. The general fund's fund balance increased \$866,954 from a balance of \$6,163,755 to \$7,030,709.
- The bond retirement fund had \$879,352 in revenues and other financing sources and \$775,634 in expenditures. The bond retirement fund's fund balance increased \$103,718 from a balance of \$1,170,859 to \$1,274,577.
- Net position for the District's enterprise fund increased \$2,421. The Fairbanks Elementary Extended Day Program (F.E.E.D. Program), a nonmajor enterprise fund, had \$45,085 in operating revenues and \$42,664 in operating expenses.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net positions* and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's F.E.E.D. Program operations are reported as business activities.

The District's statement of net position and statement of activities can be found on pages 15 - 17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18 - 22 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 23 - 25 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29 - 66 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 68 - 74 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The District as a Whole

The District has restated certain 2016 amounts as described in Note 3.C. to the basic financial statements. The table below provides a summary of the District's net position for governmental activities and business-type activities at June 30, 2017 and June 30, 2016.

	Governmental Activities		Net Position Business-Type Activities		Total	
	2017	Restated 2016	2017	2016	2017	Restated 2016
<u>Assets</u>						
Current assets	\$ 16,908,517	\$ 16,001,412	\$ 41,828	\$ 35,318	\$ 16,950,345	\$ 16,036,730
Capital assets, net	<u>16,092,235</u>	<u>15,850,388</u>	<u>-</u>	<u>-</u>	<u>16,092,235</u>	<u>15,850,388</u>
Total assets	<u>33,000,752</u>	<u>31,851,800</u>	<u>41,828</u>	<u>35,318</u>	<u>33,042,580</u>	<u>31,887,118</u>
<u>Deferred outflows of resources</u>						
Unamortized deferred charges	845,757	894,317	-	-	845,757	894,317
Pension	<u>3,943,728</u>	<u>1,555,399</u>	<u>17,926</u>	<u>4,550</u>	<u>3,961,654</u>	<u>1,559,949</u>
Total deferred outflows of resources	<u>4,789,485</u>	<u>2,449,716</u>	<u>17,926</u>	<u>4,550</u>	<u>4,807,411</u>	<u>2,454,266</u>
<u>Liabilities</u>						
Current liabilities	1,450,673	1,468,051	2,188	1,727	1,452,861	1,469,778
Long-term liabilities:						
Due within one year	562,614	203,406	-	-	562,614	203,406
Net pension liability	18,884,125	14,876,077	62,075	43,645	18,946,200	14,919,722
Other amounts	<u>10,838,243</u>	<u>11,507,550</u>	<u>-</u>	<u>-</u>	<u>10,838,243</u>	<u>11,507,550</u>
Total liabilities	<u>31,735,655</u>	<u>28,055,084</u>	<u>64,263</u>	<u>45,372</u>	<u>31,799,918</u>	<u>28,100,456</u>
<u>Deferred inflows of resources</u>						
Property taxes	5,859,456	5,876,108	-	-	5,859,456	5,876,108
Pension	<u>-</u>	<u>958,327</u>	<u>-</u>	<u>1,426</u>	<u>-</u>	<u>959,753</u>
Total deferred inflows of resources	<u>5,859,456</u>	<u>6,834,435</u>	<u>-</u>	<u>1,426</u>	<u>5,859,456</u>	<u>6,835,861</u>
<u>Net Position</u>						
Net investment in capital assets	6,406,764	5,743,479	-	-	6,406,764	5,743,479
Restricted	1,851,770	1,796,115	-	-	1,851,770	1,796,115
Unrestricted (deficit)	<u>(8,063,408)</u>	<u>(8,127,597)</u>	<u>(4,509)</u>	<u>(6,930)</u>	<u>(8,067,917)</u>	<u>(8,134,527)</u>
Total net position (deficit)	<u>\$ 195,126</u>	<u>\$ (588,003)</u>	<u>\$ (4,509)</u>	<u>\$ (6,930)</u>	<u>\$ 190,617</u>	<u>\$ (594,933)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net Pension Liability

The District has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows. In addition, the District has reported a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Analysis of Net Position

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

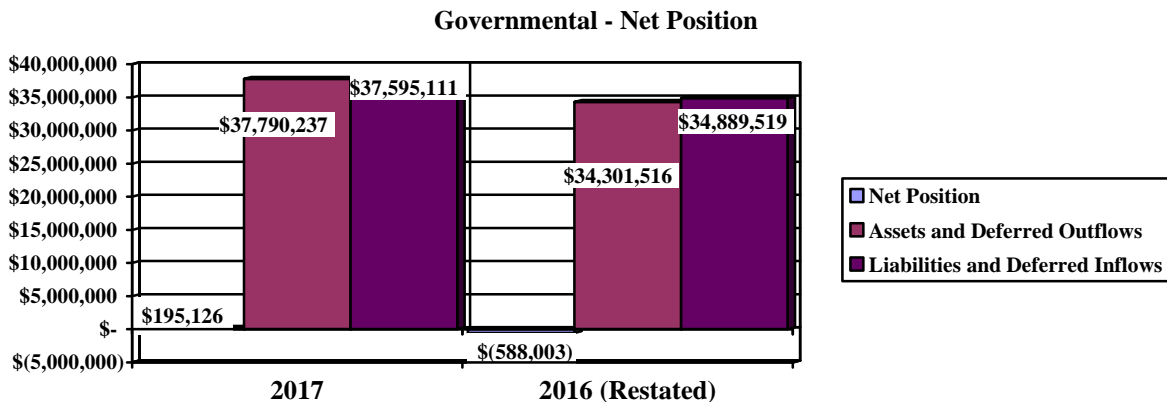
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$190,617. \$195,126 of this total is in governmental activities, and (\$4,509) is in business-type activities.

Capital assets reported on the government-wide statements represented 48.70% of total assets. Capital assets include land, land improvements, buildings/improvements, furniture/equipment and vehicles. The District's net investment in capital assets at June 30, 2017, was \$6,406,764 in the governmental activities. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,851,770, represents resources that are subject to external restriction on how they may be used. In the governmental activities and business-type activities, the remaining balance of unrestricted net position is (\$8,063,408) and (\$4,509) respectively.

Current assets increased primarily due to increased equity in pooled cash resulting from fiscal year 2017 operations and taxes receivable reported in fiscal year 2017. Long-term liabilities increased primarily due to an increase in the net pension liability partially offset by a decrease in other long-term liabilities in fiscal year 2017. In relation to its effect on net position, the impact of the increase in the net pension liability is partially offset by an increase in deferred outflows of resources related to pension and a decrease in deferred inflows of resources related to pension. These factors are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to District employees, not the District.

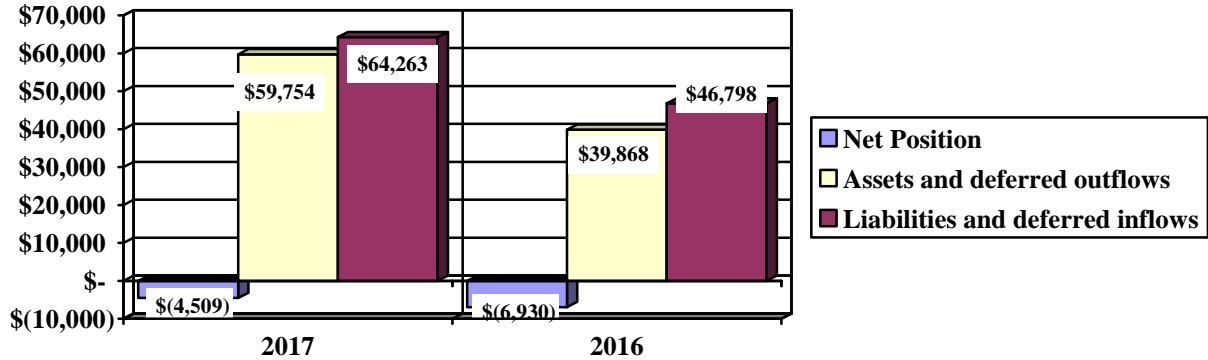
The graphs below show the District's governmental activities assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2017 and June 30, 2016.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Business-Type - Net Position



The District has restated net position at June 30, 2016 as described in Note 3.C. to the basic financial statements. The table below shows the changes in net position for governmental activities and business-type activities for fiscal years 2017 and 2016.

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,400,466	\$ 1,326,985	\$ 45,085	\$ 38,684	\$ 1,445,551	\$ 1,365,669
Operating grants and contributions	1,000,988	773,912	-	-	1,000,988	773,912
Capital grants and contributions	-	10,000	-	-	-	10,000
General revenues:						
Property taxes	7,391,124	6,776,749	-	-	7,391,124	6,776,749
Income taxes	2,401,969	2,149,583	-	-	2,401,969	2,149,583
Grants and entitlements	3,253,940	3,006,786	-	-	3,253,940	3,006,786
Investment earnings	37,143	23,785	-	-	37,143	23,785
Other	47,542	61,464	-	137	47,542	61,601
Total revenues	15,533,172	14,129,264	45,085	38,821	15,578,257	14,168,085

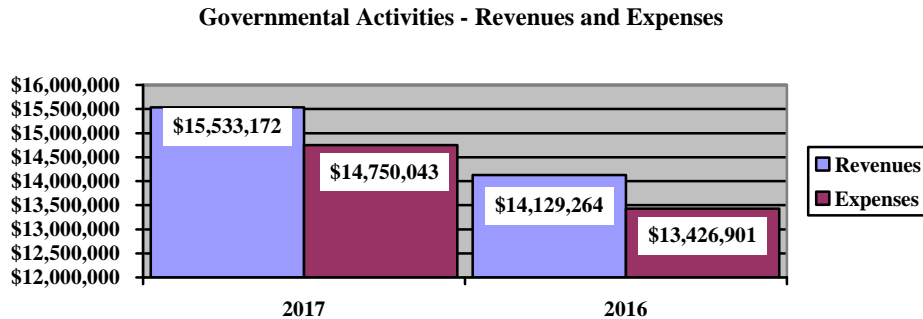
**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Expenses</u>	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program expenses:						
Instruction:						
Regular	6,522,273	5,814,844	-	-	6,522,273	5,814,844
Special	1,427,688	1,219,569	-	-	1,427,688	1,219,569
Vocational	18,241	16,921	-	-	18,241	16,921
Other	109,702	89,727	-	-	109,702	89,727
Support services:						
Pupil	714,729	670,396	-	-	714,729	670,396
Instructional staff	593,351	546,139	-	-	593,351	546,139
Board of education	66,250	43,283	-	-	66,250	43,283
Administration	1,101,649	1,094,199	-	-	1,101,649	1,094,199
Fiscal	434,748	402,134	-	-	434,748	402,134
Operations and maintenance	1,388,697	1,311,756	-	-	1,388,697	1,311,756
Pupil transportation	848,065	797,168	-	-	848,065	797,168
Operation of non-instructional services:						
Food service operations	333,256	303,335	-	-	333,256	303,335
Other non-instructional services	319,691	323,904	-	-	319,691	323,904
Extracurricular activities	442,859	405,499	-	-	442,859	405,499
Interest and fiscal charges	428,844	388,027	-	-	428,844	388,027
F.E.E.D. Program	-	-	42,664	4,417	42,664	4,417
Total expenses	14,750,043	13,426,901	42,664	4,417	14,792,707	13,431,318
Changes in net position	783,129	702,363	2,421	34,404	785,550	736,767
Net position (deficit)						
at beginning of year - restated	(588,003)	(1,290,366)	(6,930)	(41,334)	(594,933)	(1,331,700)
Net position (deficit) at end of year	<u>\$ 195,126</u>	<u>\$ (588,003)</u>	<u>\$ (4,509)</u>	<u>\$ (6,930)</u>	<u>\$ 190,617</u>	<u>\$ (594,933)</u>

Governmental Activities

Net position of the District's governmental activities increased \$783,129. During 2017, total governmental expenses of \$14,750,043 were offset by program revenues of \$2,401,454 and general revenues of \$13,131,718. Program revenues supported 16.28% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 83.99% of total governmental revenue. Real estate property is reappraised every six years. The graph below presents the District's governmental activities revenues and expenses for fiscal years 2017 and 2016.



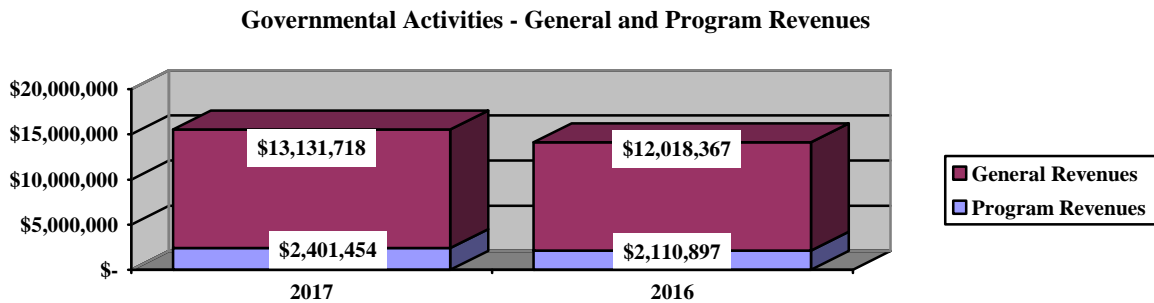
**FAIRBANKS LOCAL SCHOOL DISTRICT
UNION COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2017 and 2016.

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses:				
Instruction:				
Regular	\$ 6,522,273	\$ 5,631,357	\$ 5,814,844	\$ 4,988,161
Special	1,427,688	820,159	1,219,569	785,403
Vocational	18,241	772	16,921	(23)
Other	109,702	109,702	89,727	89,727
Support services:				
Pupil	714,729	674,995	670,396	636,574
Instructional staff	593,351	552,631	546,139	541,503
Board of education	66,250	66,250	43,283	43,283
Administration	1,101,649	1,101,649	1,094,199	1,094,199
Fiscal	434,748	348,354	402,134	323,452
Operations and maintenance	1,388,697	1,375,292	1,311,756	1,288,261
Pupil transportation	848,065	823,235	797,168	741,801
Operation of non-instructional services:				
Food service operations	333,256	(38,820)	303,335	(40,930)
Other non-instructional services	319,691	129,469	323,904	166,937
Extracurricular activities	442,859	324,700	405,499	269,629
Interest and fiscal charges	428,844	428,844	388,027	388,027
Total expenses	\$ 14,750,043	\$ 12,348,589	\$ 13,426,901	\$ 11,316,004

The dependence upon tax revenues during fiscal year 2017 for governmental activities is apparent, as 81.23% of instruction activities are supported through taxes and other general revenues. General revenue support for all governmental activities was 83.72% in fiscal year 2017. The graph below presents the District's governmental activities revenues for fiscal years 2017 and 2016.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Business-Type Activities

Business-type activities include the F.E.E.D. Program. This program had operating revenues of \$45,085 and operating expenses of \$42,664 for fiscal year 2017. The District's business-type activities receive no support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$9,168,582, which is higher than last year's balance of \$8,361,068. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	<u>Fund Balance June 30, 2017</u>	<u>Fund Balance June 30, 2016</u>	<u>Change</u>
General	\$ 7,030,709	\$ 6,163,755	\$ 866,954
Bond retirement	1,274,577	1,170,859	103,718
Other governmental	<u>863,296</u>	<u>1,026,454</u>	<u>(163,158)</u>
Total	<u>\$ 9,168,582</u>	<u>\$ 8,361,068</u>	<u>\$ 807,514</u>

General Fund

The District's general fund balance increased \$866,954 during fiscal year 2017 primarily due to increased taxes and intergovernmental state revenues outpacing instruction and support services expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 8,493,856	\$ 7,616,398	\$ 877,458	11.52 %
Tuition	851,288	792,622	58,666	7.40 %
Interest earnings	37,143	23,367	13,776	58.95 %
Intergovernmental	3,405,485	3,121,293	284,192	9.10 %
Other revenues	<u>256,835</u>	<u>274,003</u>	<u>(17,168)</u>	<u>(6.27) %</u>
Total	<u>\$ 13,044,607</u>	<u>\$ 11,827,683</u>	<u>\$ 1,216,924</u>	10.29 %
<u>Expenditures</u>				
Instruction	\$ 6,933,587	\$ 6,436,185	\$ 497,402	7.73 %
Support services	4,837,924	4,610,827	227,097	4.93 %
Extracurricular activities	266,956	250,957	15,999	6.38 %
Non-instructional services	<u>86,816</u>	<u>77,387</u>	<u>9,429</u>	12.18 %
Total	<u>\$ 12,125,283</u>	<u>\$ 11,375,356</u>	<u>\$ 749,927</u>	6.59 %

Both property taxes and income taxes increased from the prior year. Income taxes increased due to improving economic conditions within the District and property taxes increased due to increased assessed valuations of real property located within the District. Intergovernmental revenues increased due to increased funding from the State of Ohio through State Foundation. All other revenues remained consistent with the prior year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Instruction and support services expenditures increased due to increased staff resulting in increased wage and fringe benefit expenditures.

Bond Retirement Fund

The bond retirement fund had \$879,352 in revenues and other financing sources and \$775,634 in expenditures. During fiscal year 2017, the bond retirement fund's fund balance increased \$103,718 from \$1,170,859 to \$1,274,577.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2017, the District amended its general fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$11,795,487 which were \$433,310 less than final budgeted revenues and other financing sources of \$12,228,797. Actual revenues and other financing sources for fiscal year 2017 was \$12,236,597, which is \$7,800 more than final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$12,162,751 were decreased to \$12,109,836 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$12,070,949, which is \$38,887 lower than the final appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017, the District had \$16,092,235 invested in land, land improvements, buildings/improvements, furniture/equipment and vehicles. This total amount was reported in governmental activities. The following table shows June 30, 2017 balances compared to June 30, 2016:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 289,921	\$ 289,921
Construction in progress	-	222,074
Land improvements	670,355	587,297
Building/improvements	13,706,262	13,455,464
Furniture/equipment	643,044	695,733
Vehicles	<u>782,653</u>	<u>599,899</u>
Total	<u>\$ 16,092,235</u>	<u>\$ 15,850,388</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The overall increase in capital assets of \$241,847 is due to depreciation expense of \$536,369 and disposals of \$235,584 (net of accumulated depreciation) being less than capital asset additions of \$1,013,800.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017 the District had \$9,345,102 in general obligation bonds and \$415,902 in energy conservation bonds outstanding. Of this total, \$491,211 is due within one year and \$9,269,793 is due in greater than one year. The following table summarizes the District's debt obligations outstanding at June 30, 2017 and 2016.

Outstanding Debt, at Year End

	Governmental Activities 2017	Restated Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 9,345,102	\$ 9,631,767
Energy conservation bonds	<u>415,902</u>	<u>449,387</u>
Total	<u>\$ 9,761,004</u>	<u>\$ 10,081,154</u>

At June 30, 2017 the District's overall legal debt margin was \$16,112,764 with an unvoted debt margin of \$265,276.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

No significant changes to the financial position took place during fiscal year 2017 as the District continues to be financially stable with an operating surplus and strong cash balance. Much of the continued stability will depend on future state funding. A five-year emergency levy was renewed by District voters back in November, 2013. This levy is approximately 16% of revenues and is needed for operations. This renewal is planned for November 2018. Funding from the State of Ohio should remain stable for 2017. Future state funding is uncertain and is somewhat of a concern. The District also has some concern for a continued charter school movement that pulls funding away from the District and directs funding to charter schools.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Aaron S. Johnson, Treasurer, Fairbanks Local School District, 1258 State Route 38, Milford Center, Ohio 43045.

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

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 8,008,607	\$ 41,768	\$ 8,050,375
Receivables:			
Property taxes	7,464,520	-	7,464,520
Income taxes.	1,133,776	-	1,133,776
Intergovernmental	175,854	-	175,854
Prepayments	124,829	60	124,889
Materials and supplies inventory.	333	-	333
Inventory held for resale.	598	-	598
Capital assets:			
Nondepreciable capital assets	289,921	-	289,921
Depreciable capital assets, net.	15,802,314	-	15,802,314
Capital assets, net	16,092,235	-	16,092,235
Total assets.	33,000,752	41,828	33,042,580
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	845,757	-	845,757
Pension - STRS	3,009,580	-	3,009,580
Pension - SERS	934,148	17,926	952,074
Total deferred outflows of resources	4,789,485	17,926	4,807,411
Liabilities:			
Accounts payable.	129,937	-	129,937
Accrued wages and benefits payable	1,067,217	-	1,067,217
Intergovernmental payable	45,745	-	45,745
Pension and postemployment benefits payable .	187,051	2,188	189,239
Accrued interest payable	19,723	-	19,723
Unearned revenue	1,000	-	1,000
Long-term liabilities:			
Due within one year.	562,614	-	562,614
Due in more than one year:			
Net pension liability	18,884,125	62,075	18,946,200
Other amounts due in more than one year .	10,838,243	-	10,838,243
Total liabilities	31,735,655	64,263	31,799,918
Deferred inflows of resources:			
Property taxes levied for the next fiscal year. .	5,859,456	-	5,859,456
Net position:			
Net investment in capital assets	6,406,764	-	6,406,764
Restricted for:			
Capital projects	471,597	-	471,597
Debt service.	940,510	-	940,510
Locally funded programs	1,272	-	1,272
State funded programs.	32,820	-	32,820
Federally funded programs	93,530	-	93,530
Student activities	59,300	-	59,300
Other purposes	252,741	-	252,741
Unrestricted (deficit).	(8,063,408)	(4,509)	(8,067,917)
Total net position (deficit).	\$ 195,126	\$ (4,509)	\$ 190,617

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Instruction:			
Regular	\$ 6,522,273	\$ 890,916	\$ -
Special	1,427,688	4,769	602,760
Vocational	18,241	-	17,469
Other	109,702	-	-
Support services:			
Pupil	714,729	39,689	45
Instructional staff	593,351	578	40,142
Board of education	66,250	-	-
Administration	1,101,649	-	-
Fiscal	434,748	86,394	-
Operations and maintenance	1,388,697	13,405	-
Pupil transportation	848,065	24,830	-
Operation of non-instructional services:			
Food service operations	333,256	237,098	134,978
Other non-instructional services	319,691	-	190,222
Extracurricular activities	442,859	102,787	15,372
Interest and fiscal charges	428,844	-	-
Total governmental activities	<u>14,750,043</u>	<u>1,400,466</u>	<u>1,000,988</u>
Business-type activities:			
F.E.E.D Program	42,664	45,085	-
Totals	<u>\$ 14,792,707</u>	<u>\$ 1,445,551</u>	<u>\$ 1,000,988</u>

General revenues:

- Property taxes levied for:
 - General purposes
 - Debt service
- School district income tax:
 - General purposes
 - Capital projects
- Grants and entitlements not restricted
to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Change in net position

**Net position (deficit)
at beginning of year - restated**

Net position (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (5,631,357)	\$ -	\$ (5,631,357)
(820,159)	-	(820,159)
(772)	-	(772)
(109,702)	-	(109,702)
(674,995)	-	(674,995)
(552,631)	-	(552,631)
(66,250)	-	(66,250)
(1,101,649)	-	(1,101,649)
(348,354)	-	(348,354)
(1,375,292)	-	(1,375,292)
(823,235)	-	(823,235)
38,820	-	38,820
(129,469)	-	(129,469)
(324,700)	-	(324,700)
(428,844)	-	(428,844)
(12,348,589)	-	(12,348,589)
-	2,421	2,421
(12,348,589)	2,421	(12,346,168)
6,655,898	-	6,655,898
735,226	-	735,226
1,850,491	-	1,850,491
551,478	-	551,478
3,253,940	-	3,253,940
37,143	-	37,143
47,542	-	47,542
13,131,718	-	13,131,718
783,129	2,421	785,550
(588,003)	(6,930)	(594,933)
\$ 195,126	\$ (4,509)	\$ 190,617

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 6,204,347	\$ 1,129,723	\$ 674,537	\$ 8,008,607
Receivables:				
Property taxes.	6,641,788	822,732	-	7,464,520
Income taxes.	899,346	-	234,430	1,133,776
Intergovernmental.	31,988	-	143,866	175,854
Prepayments.	14,881	-	109,948	124,829
Materials and supplies inventory.	-	-	333	333
Inventory held for resale.	-	-	598	598
Due from other funds.	728	-	-	728
Total assets.	<u>\$ 13,793,078</u>	<u>\$ 1,952,455</u>	<u>\$ 1,163,712</u>	<u>\$ 16,909,245</u>
Liabilities:				
Accounts payable.	\$ 70,293	\$ -	\$ 59,644	\$ 129,937
Accrued wages and benefits payable.	1,014,101	-	53,116	1,067,217
Compensated absences payable.	15,872	-	-	15,872
Intergovernmental payable.	42,111	-	3,634	45,745
Pension and postemployment benefits payable.	170,379	-	16,672	187,051
Due to other funds.	-	-	728	728
Unearned revenue.	1,000	-	-	1,000
Total liabilities.	<u>1,313,756</u>	<u>-</u>	<u>133,794</u>	<u>1,447,550</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	5,196,620	662,836	-	5,859,456
Delinquent property tax revenue not available.	144,120	15,042	-	159,162
Income tax revenue not available.	107,873	-	35,958	143,831
Intergovernmental revenue not available.	-	-	130,664	130,664
Total deferred inflows of resources.	<u>5,448,613</u>	<u>677,878</u>	<u>166,622</u>	<u>6,293,113</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	333	333
Prepays.	14,881	-	109,948	124,829
Restricted:				
Debt service.	-	1,274,577	-	1,274,577
Capital improvements.	-	-	435,639	435,639
Food service operations.	-	-	254,722	254,722
Non-public schools.	-	-	32,125	32,125
Other purposes.	-	-	6,889	6,889
Extracurricular.	-	-	59,261	59,261
Assigned:				
Student instruction.	28,159	-	-	28,159
Student and staff support.	55,476	-	-	55,476
Subsequent year's appropriations.	107,260	-	-	107,260
School supplies.	23,919	-	-	23,919
Other purposes.	1,060	-	-	1,060
Unassigned (deficit).	6,799,954	-	(35,621)	6,764,333
Total fund balances.	<u>7,030,709</u>	<u>1,274,577</u>	<u>863,296</u>	<u>9,168,582</u>
Total liabilities, deferred inflows and fund balances.	<u>\$ 13,793,078</u>	<u>\$ 1,952,455</u>	<u>\$ 1,163,712</u>	<u>\$ 16,909,245</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	9,168,582
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,092,235
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	159,162	
Income taxes receivable		143,831	
Intergovernmental receivable		130,664	
Total		433,657	433,657
Unamortized premiums on bonds issued are not recognized in the funds.			(1,099,610)
Unamortized amounts on refundings are not recognized in the funds.			845,757
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(19,723)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		3,943,728	
Net pension liability		(18,884,125)	
Total		(14,940,397)	(14,940,397)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(9,761,004)	
Compensated absences		(524,371)	
Total		(10,285,375)	(10,285,375)
Net position (deficit) of governmental activities		\$	195,126

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 6,643,365	\$ 734,348	\$ -	\$ 7,377,713
Income taxes	1,850,491	-	551,478	2,401,969
Tuition	851,288	-	-	851,288
Transportation fees	24,830	-	-	24,830
Earnings on investments	37,143	-	-	37,143
Charges for services	-	-	237,098	237,098
Extracurricular	-	-	102,787	102,787
Classroom materials and fees	44,397	-	-	44,397
Rental income	13,405	-	-	13,405
Contributions and donations	1,745	-	14,188	15,933
Contract services	86,394	-	-	86,394
Other local revenues	86,064	-	8,323	94,387
Intergovernmental - state	3,405,485	92,634	193,171	3,691,290
Intergovernmental - federal	-	-	432,738	432,738
Total revenues	<u>13,044,607</u>	<u>826,982</u>	<u>1,539,783</u>	<u>15,411,372</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,769,028	-	176,424	5,945,452
Special	1,055,674	-	276,766	1,332,440
Vocational	16,691	-	-	16,691
Other	92,194	-	-	92,194
Support services:				
Pupil	646,501	-	282	646,783
Instructional staff	465,184	-	58,788	523,972
Board of education	65,621	-	-	65,621
Administration	988,252	-	33,688	1,021,940
Fiscal	406,242	13,627	-	419,869
Operations and maintenance	1,386,789	-	380,926	1,767,715
Pupil transportation	879,335	-	131,745	1,011,080
Operation of non-instructional services:				
Food service operations	-	-	319,025	319,025
Other non-instructional services	86,816	-	187,574	274,390
Extracurricular activities	266,956	-	129,466	396,422
Facilities acquisition and construction	-	-	8,257	8,257
Debt service:				
Principal retirement	-	391,732	-	391,732
Interest and fiscal charges	-	252,007	-	252,007
Accretion on capital appreciation bonds	-	118,268	-	118,268
Total expenditures	<u>12,125,283</u>	<u>775,634</u>	<u>1,702,941</u>	<u>14,603,858</u>
Excess of revenues over (under) expenditures	<u>919,324</u>	<u>51,348</u>	<u>(163,158)</u>	<u>807,514</u>
Other financing sources (uses):				
Transfers in	-	52,370	-	52,370
Transfers (out)	(52,370)	-	-	(52,370)
Total other financing sources (uses)	<u>(52,370)</u>	<u>52,370</u>	<u>-</u>	<u>-</u>
Net change in fund balances	866,954	103,718	(163,158)	807,514
Fund balances at beginning of year	<u>6,163,755</u>	<u>1,170,859</u>	<u>1,026,454</u>	<u>8,361,068</u>
Fund balances at end of year	<u>\$ 7,030,709</u>	<u>\$ 1,274,577</u>	<u>\$ 863,296</u>	<u>\$ 9,168,582</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	807,514
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 791,726	
Current year depreciation	<u>(536,369)</u>	
Total		255,357
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(13,510)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	13,411	
Intergovernmental	<u>108,389</u>	
Total		121,800
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
G.O. Bonds	380,000	
Capital appreciation bonds	11,732	
Accreted interest on capital appreciation bonds	<u>118,268</u>	
		510,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	(2,300)	
Accreted interest on capital appreciation bonds	(189,850)	
Amortization of bond premiums	63,873	
Amortization of deferred charges	<u>(48,560)</u>	
Total		(176,837)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		976,489
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,637,881)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(59,803)</u>
Change in net position of governmental activities	\$	<u>783,129</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Property taxes	\$ 5,884,970	\$ 6,143,872	\$ 6,184,977	\$ 41,105
Income taxes.	1,648,131	1,619,615	1,619,535	(80)
Tuition.	805,053	862,000	851,288	(10,712)
Transportation fees.	8,981	10,000	24,830	14,830
Earnings on investments	28,475	31,000	37,143	6,143
Rental income	11,409	12,000	14,405	2,405
Contributions and donations	928	1,000	1,745	745
Contract services.	80,521	84,000	84,742	742
Other local revenues	43,365	45,000	40,317	(4,683)
Intergovernmental - state	3,278,879	3,415,310	3,372,113	(43,197)
Total revenues	11,790,712	12,223,797	12,231,095	7,298
Expenditures:				
Current:				
Instruction:				
Regular	5,573,947	5,669,815	5,669,882	(67)
Special.	1,003,587	1,056,584	1,056,584	-
Vocational.	16,669	16,766	16,766	-
Other.	90,166	92,469	92,469	-
Support services:				
Pupil.	633,603	602,881	602,881	-
Instructional staff	681,841	468,879	468,879	-
Board of education	50,753	67,858	67,858	-
Administration.	997,787	997,451	997,451	-
Fiscal	407,460	405,350	405,396	(46)
Operations and maintenance.	1,314,262	1,359,001	1,359,001	-
Pupil transportation	936,736	878,790	878,790	-
Other operation of non-instructional services	84,098	86,775	86,775	-
Extracurricular activities.	223,720	267,563	267,563	-
Total expenditures	12,014,629	11,970,182	11,970,295	(113)
Excess of revenues over expenditures.	(223,917)	253,615	260,800	7,185
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	22	22
Refund of prior year's receipts.	-	(48,284)	(48,284)	-
Transfers (out).	(98,122)	(72,370)	(52,370)	20,000
Advances (out)	(50,000)	(19,000)	-	19,000
Sale of capital assets	4,775	5,000	5,480	480
Total other financing sources (uses)	(143,347)	(134,654)	(95,152)	39,502
Net change in fund balance	(367,264)	118,961	165,648	46,687
Fund balance at beginning of year	5,680,076	5,680,076	5,680,076	-
Prior year encumbrances appropriated	226,222	226,222	226,222	-
Fund balance at end of year	\$ 5,539,034	\$ 6,025,259	\$ 6,071,946	\$ 46,687

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Business-Type Activities - Non-Major Enterprise Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 41,768
Prepayments	<u>60</u>
Total assets.	<u>41,828</u>
Deferred outflows of resources:	
Pension - SERS	<u>17,926</u>
Total deferred outflows of resources	<u>17,926</u>
Liabilities:	
Current liabilities:	
Pension and postemployment benefits payable	<u>2,188</u>
Total current liabilities	<u>2,188</u>
Long-term liabilities:	
Net pension liability	<u>62,075</u>
Total liabilities	<u>64,263</u>
Net position:	
Unrestricted (deficit)	<u>(4,509)</u>
Total net position (deficit)	<u>\$ (4,509)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Non-Major Enterprise Fund</u>
Operating revenues:	
Tuition and fees	\$ 45,085
Operating expenses:	
Personal services	38,460
Materials and supplies	4,204
Total operating expenses.	<u>42,664</u>
Change in net position	2,421
Net position (deficit) at beginning of year.	<u>(6,930)</u>
Net position (deficit) at end of year	<u><u>\$ (4,509)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Non-Major Enterprise Fund
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 45,085
Cash payments for personal services.	(33,947)
Cash payments for materials and supplies	(4,204)
Cash payments for other expenses	(484)
	6,450
Net cash provided by operating activities	6,450
Net increase in cash and cash equivalents	6,450
Cash and cash equivalents at beginning of year . . .	35,318
Cash and cash equivalents at end of year	<u>\$ 41,768</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,421
Changes in assets, deferred outflows, liabilities and deferred inflows:	
(Increase) in deferred outflows - pension - SERS . . .	(13,376)
(Increase) in prepayments	(60)
Increase in pension obligation payable	461
Increase in net pension liability	18,430
(Decrease) in deferred inflows - pension - SERS . . .	(1,426)
	6,450
Net cash provided by operating activities.	<u>\$ 6,450</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 66,895	\$ 90,093
Receivables:		
Accrued interest.	761	-
Total assets.	\$ 67,656	\$ 90,093
Liabilities:		
Accounts payable.	-	\$ 2,592
Due to students.	-	87,501
Total liabilities	-	\$ 90,093
Net position:		
Held in trust for scholarships	67,656	
Total net position.	\$ 67,656	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 761
 Deductions:	
Scholarships awarded	\$ 50
Change in net position	711
Net position at beginning of year.	66,945
Net position at end of year	\$ 67,656

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Fairbanks Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District employs 76 certified employees and 51 non-certified employees to provide services to approximately 1,068 students. The District cooperates with the Educational Service Center of Central Ohio, a separate entity, for curricular services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Tolles Career & Technical Center (TCTC)

TCTC is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Tolles Career and Technical Center, Tammy Woods, Treasurer, at 7877 U.S. Highway 42 S, Plain City, Ohio 43064.

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or its designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The firm of CompManagement, Inc. provides administrative, cost control and actuarial service to the GRP. Refer to Note 11.B. for further information on this group rating plan.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows and liabilities and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's only proprietary fund:

Nonmajor Enterprise Fund - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District has one nonmajor enterprise fund to account for the Fairbanks Elementary Extended Day Program (F.E.E.D. Program).

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The private-purpose trust fund accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current deferred outflows and current liabilities and current deferred inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. For the District, these revenues are sales for the F.E.E.D Program and expenses incurred in operating the F.E.E.D Program. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6) and revenue from income taxes is recognized in the year in which the income is earned (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, interest, tuition and grants.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency). The specific timetable for fiscal year 2017 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for tax rate determination. The Union County Budget Commission waived this requirement for fiscal year 2017.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2017.
4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations included were legally enacted by the Board during fiscal year 2017.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

During fiscal year 2017, investments were limited to non-negotiable certificates of deposit and STAR Ohio. Nonparticipating investment contracts, such as non-negotiable certificates of deposit are reported at cost.

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$37,143 which includes \$9,353 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's depository accounts at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of donated food and purchased food.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. The District maintains a capitalization threshold of \$5,000. Donated capital assets are recorded at their acquisition value. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is not capitalized.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 50 years
Buildings/improvements	20 - 75 years
Furniture/equipment	5 - 20 years
Vehicles	10 -15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds". These amounts are eliminated in the governmental column of the statement of net position.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, employees age 50 with at least 10 years of service and any employees with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

The entire compensated absence liability is reported on the government-wide financial statements.

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service and a special trust fund.

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

N. Parochial Schools

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

O. Estimates

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

R. Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On the government-wide and fund financial statements, bond issuance costs are expensed during the fiscal year in which they are incurred.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

On the governmental fund financial statements, bond premiums and discounts are recognized in the current period. A reconciliation between the bond's face value and the amount reported on the statement of net position is presented in Note 10.

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017 financial statements (see Note 18); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 15,906
Title I	16,592
Improving Teacher Quality	3,123

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

C. Restatement of Net Position

The District is reporting a prior period adjustment to properly report bonds payable and unamortized deferred charges on debt refundings at June 30, 2016. The District issued Series 2012 refunding bonds in fiscal year 2013 to refund the callable portion of the Series 2006 School Facilities Construction and Improvement bonds. The entire balance of the Series 2006 bonds were removed from the statement of net position; however, only the Series 2006 bond due December 1, 2019 through December 1, 2034 were refunded. The unrefunded portion of the Series 2006 bonds, representing the bonds due December 1, 2016 through December 1, 2018, remained obligations of the District. The governmental activities net position at June 30, 2016 have been restated as follows:

	<u>Governmental Activities</u>
Net position (deficit) as previously reported	\$ (420,322)
Adjustment to increase bonds payable	(1,050,000)
Adjustment to increase unamortized deferred charges on debt refundings	<u>882,319</u>
Restated net position (deficit) at July 1, 2016	<u>\$ (588,003)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At June 30, 2017, the District had \$2,245 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits, including \$62,971 of non-negotiable certificates of deposit, was \$4,196,884. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$3,916,023 of the District’s bank balance of \$4,344,793 was exposed to custodial credit risk as discussed below, while \$428,770 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2017, the District had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity 6 months or less</u>
Amortized cost:		
STAR Ohio	\$ 4,008,234	\$ 4,008,234

For the District, the weighted average maturity of investments is one day.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	\$ 4,008,234	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,196,884
Investments	4,008,234
Cash on hand	<u>2,245</u>
Total	<u>\$ 8,207,363</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 8,008,607
Business-type activities	41,768
Private-purpose trust fund	66,895
Agency fund	<u>90,093</u>
Total	<u>\$ 8,207,363</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the fiscal year 2017 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Bond Retirement Fund	<u>\$ 52,370</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers made in fiscal year 2017 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund balances at June 30, 2017, as reported on the fund financial statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 728</u>

The primary purpose of the due to/from other funds is to cover the negative cash balances at fiscal year-end in the nonmajor governmental funds. The interfund balances will be repaid once the anticipated revenues are received.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Union and Madison Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$1,301,048 in the general fund and \$144,854 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$842,660 in the general fund and \$95,750 in the bond retirement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 238,266,200	97.14	\$ 257,424,450	97.04
Public utility personal	<u>7,014,328</u>	<u>2.86</u>	<u>7,851,160</u>	<u>2.96</u>
Total	<u>\$ 245,280,528</u>	<u>100.00</u>	<u>\$ 265,275,610</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$39.40		\$38.80	
Bond	3.15		3.00	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, income taxes, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A list of the items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 7,464,520
Income taxes	1,133,776
Intergovernmental	<u>175,855</u>
Total receivables	<u>\$ 8,774,151</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 8 - INCOME TAXES

The District levies a voted income tax of 1.00%, .75% for operating and .25% for permanent improvements on the income of residents and on estates for general operations of the District. The .75% for operations was passed in November 1989 and is a continuing levy. The .25% is a five-year for permanent improvements levy passed in May 2006. The .25% permanent improvement levy was renewed during fiscal year 2016 through December 31, 2021. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State of Ohio, and taxpayers are required to file an annual return. The State of Ohio makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund in the amount of \$1,850,491 and permanent improvement fund (a nonmajor governmental fund) in the amount of \$551,478 for fiscal year 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

Governmental activities:	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
	<u>June 30, 2016</u>			<u>June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 289,921	\$ -	\$ -	\$ 289,921
Construction in progress	<u>222,074</u>	<u>356,129</u>	<u>(578,203)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>511,995</u>	<u>356,129</u>	<u>(578,203)</u>	<u>289,921</u>
Capital assets, being depreciated:				
Land improvements	1,587,720	118,000	-	1,705,720
Building/improvements	18,432,058	586,313	-	19,018,371
Furniture/equipment	1,251,417	38,936	-	1,290,353
Vehicles	<u>1,404,433</u>	<u>270,551</u>	<u>(133,432)</u>	<u>1,541,552</u>
Total capital assets, being depreciated	<u>22,675,628</u>	<u>1,013,800</u>	<u>(133,432)</u>	<u>23,555,996</u>
Less: accumulated depreciation				
Land improvements	(1,000,423)	(34,942)	-	(1,035,365)
Building/improvements	(4,976,594)	(335,515)	-	(5,312,109)
Furniture/equipment	(555,684)	(91,625)	-	(647,309)
Vehicles	<u>(804,534)</u>	<u>(74,287)</u>	<u>119,922</u>	<u>(758,899)</u>
Total accumulated depreciation	<u>(7,337,235)</u>	<u>(536,369)</u>	<u>119,922</u>	<u>(7,753,682)</u>
Governmental activities capital assets, net	<u>\$ 15,850,388</u>	<u>\$ 833,560</u>	<u>\$ (591,713)</u>	<u>\$ 16,092,235</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 183,863
Special	20,348
Support Services:	
Pupil	31,652
Instructional staff	43,375
Administration	37,123
Operations and maintenance	88,225
Pupil transportation	73,356
Operation of non-instructional services	32,014
Extracurricular	22,554
Food service operations	<u>3,859</u>
Total depreciation expense	<u>\$ 536,369</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS

- A. The District has restated the June 30, 2016 balance of governmental activities long-term obligations as discussed on Note 3.C. The District's long-term obligations activity for fiscal year 2017 follows:

	Restated Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2017</u>	Amounts Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds:					
<u>Series 2006 Bonds:</u>					
Current interest serial bonds	\$ 1,050,000	\$ -	\$ (340,000)	\$ 710,000	\$ 355,000
<u>Series 2011 Energy Conservation Bonds:</u>					
Current interest term bonds	430,000	-	(40,000)	390,000	40,000
Capital appreciation bonds	5,000	-	-	5,000	-
Accreted interest	14,387	6,515	-	20,902	-
<u>Series 2012 Refunding Bonds:</u>					
Current interest serial bonds	8,305,000	-	-	8,305,000	-
Capital appreciation bonds	33,350	-	(11,732)	21,618	6,360
Accreted interest	243,417	183,335	(118,268)	308,484	89,851
Total G.O. Bonds	<u>10,081,154</u>	<u>189,850</u>	<u>(510,000)</u>	<u>9,761,004</u>	<u>491,211</u>
Net pension liability	<u>14,876,077</u>	<u>4,008,048</u>	<u>-</u>	<u>18,884,125</u>	<u>-</u>
Compensated absences:					
Severance	401,000	87,225	(3,513)	484,712	15,872
Vacation leave	65,319	39,720	(49,508)	55,531	55,531
Total compensated absences	<u>466,319</u>	<u>126,945</u>	<u>(53,021)</u>	<u>540,243</u>	<u>71,403</u>
Total	<u>\$ 25,423,550</u>	<u>\$ 4,324,843</u>	<u>\$ (563,021)</u>	<u>\$ 29,185,372</u>	<u>\$ 562,614</u>
Add: unamortized premium on bonds	<u>1,163,483</u>			<u>1,099,610</u>	
Total on statement of net position	<u>\$ 26,587,033</u>			<u>\$ 30,284,982</u>	
Business-type activities:					
Net pension liability	<u>\$ 43,645</u>	<u>\$ 18,430</u>	<u>\$ -</u>	<u>\$ 62,075</u>	<u>\$ -</u>

Compensated absences

Compensated absences will be paid from the fund from which the employee is paid, which for the District, is primarily the general fund.

Net pension liability

See Note 12 for further information on the District's net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service.

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2006 General Obligation Bonds

On August 16, 2006, the District issued general obligation bonds (Series 2006, School Facilities Improvement Bonds). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. The Series 2006 bonds were partially refunded by the issuance of the Series 2012 refunding bonds. Payments of principal and interest relating to the unrefunded Series 2006 bonds are recorded as expenditures in the bond retirement fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity is December 1, 2018.

Principal and interest requirements to retire the Series 2006 general obligation bonds are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2018	\$ 355,000	\$ 22,010	\$ 377,010
2019	355,000	7,366	362,366
Total	<u>\$ 710,000</u>	<u>\$ 29,376</u>	<u>\$ 739,376</u>

Series 2011 Energy Conservation Improvement Bonds

On September 27, 2011, the District issued \$570,000 in current interest term bonds and capital appreciation bonds, par value \$5,000 (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate between 1.10% and 3.6% and are scheduled to mature in fiscal year 2027. Payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement fund. The balance of these bonds at June 30, 2017 in the amount of \$390,000 has been included on the statement of net position.

The capital appreciation bonds mature December 1, 2018, (stated interest 31.174%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$40,000. Total accreted interest of \$20,902 has been included in the statement of net position at June 30, 2017.

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 40,000	\$ 11,630	\$ 51,630	\$ -	\$ -	\$ -
2019	-	11,260	11,260	5,000	35,000	40,000
2020	40,000	10,680	50,680	-	-	-
2021	40,000	9,520	49,520	-	-	-
2022	40,000	8,360	48,360	-	-	-
2023 - 2027	230,000	20,340	250,340	-	-	-
Total	<u>\$ 390,000</u>	<u>\$ 71,790</u>	<u>\$ 461,790</u>	<u>\$ 5,000</u>	<u>\$ 35,000</u>	<u>\$ 40,000</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2012 Refunding General Obligation Bonds

On December 27, 2012, the District issued general obligation bonds (series 2012 refunding bonds) to refund the remaining series 2006 general obligation current interest bonds in the amount of \$9,685,000. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$8,580,000, and capital appreciation bonds par value \$54,994. The interest rates on the current interest bonds range from 1.00%-3.00%. The capital appreciation bonds mature each December 1, 2015 through 2020 (stated interest rate 71.65%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,565,000. Total accreted interest of \$308,484 for series 2012 has been included on the statement of net position at June 30, 2017. Principal and interest payments are made from the bond retirement fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2034.

The reacquisition price exceeded the net carrying amount of the old debt by \$14,278. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, as a deferred outflow of resources on the statement of net position.

Principal and interest requirements to retire the general obligation bonds are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ -	\$ 203,549	\$ 203,549	\$ 6,360	\$ 123,640	\$ 130,000
2019	-	203,548	203,548	3,845	141,155	145,000
2020	-	203,549	203,549	7,401	507,599	515,000
2021	-	203,549	203,549	4,012	510,988	515,000
2022	510,000	198,449	708,449	-	-	-
2023 - 2027	2,725,000	829,946	3,554,946	-	-	-
2028 - 2032	3,045,000	504,579	3,549,579	-	-	-
2033 - 2035	2,025,000	92,325	2,117,325	-	-	-
Total	<u>\$ 8,305,000</u>	<u>\$ 2,439,494</u>	<u>\$ 10,744,494</u>	<u>\$ 21,618</u>	<u>\$ 1,283,382</u>	<u>\$ 1,305,000</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$16,112,764 (including available funds of \$1,274,577), an unvoted debt margin of \$265,276, and an unvoted energy conservation debt margin of \$1,992,480.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

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

General liability insurance is maintained in the amount of \$3,000,000 for each occurrence and \$5,000,000 in the aggregate. Employee benefits liability is maintained in the amount of \$3,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, \$2,000,000 in excess coverage to the above amounts is further maintained.

The District maintains fleet insurance in the amount of \$3,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$38,560,319. Property insurance also includes \$1,000,000 additional expense coverage.

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

B. Worker's Compensation

For fiscal year 2017, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP.

**FAIRBANKS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - RISK MANAGEMENT - (Continued)

The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Insurance

The District has established limited risk health, dental and life insurance programs for its employees. The District is a member of the Southwestern Ohio Educational Purchasing Council Insurance Consortium. Upon payment of the premium, the risk of loss transfers to the Consortium.

United Health, a third party administrator, services all medical claims submitted by employees. CORE Source, a third party administrator, services all dental claims submitted by employees

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$239,911 for fiscal year 2017. Of this amount, \$38,107 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$740,596 for fiscal year 2017. Of this amount, \$124,184 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04846240%	0.04397864%	
Proportion of the net pension liability current measurement date	<u>0.05063590%</u>	<u>0.04552957%</u>	
Change in proportionate share	<u>0.00217350%</u>	<u>0.00155093%</u>	
Proportionate share of the net pension liability	\$ 3,706,081	\$ 15,240,119	\$ 18,946,200
Pension expense	\$ 426,482	\$ 1,219,045	\$ 1,645,527

Of the District’s total pension expense of \$1,645,527, \$1,637,881 is reported in the governmental activities and \$7,646 is reported in the business-type activities.

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the District reported deferred outflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 49,986	\$ 615,773	\$ 665,759
Net difference between projected and actual earnings on pension plan investments	305,696	1,265,340	1,571,036
Changes of assumptions	247,401	-	247,401
Difference between District contributions and proportionate share of contributions/ change in proportionate share	109,080	387,871	496,951
District contributions subsequent to the measurement date	239,911	740,596	980,507
Total deferred outflows of resources	\$ 952,074	\$3,009,580	\$3,961,654

\$980,507 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Of the total contributions made subsequent to the measurement date, \$976,489 relates to governmental activities and \$4,018 relates to business-type activities. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$ 191,553	\$ 397,055	\$ 588,608
2019	191,332	397,054	588,386
2020	241,404	882,598	1,124,002
2021	87,874	592,277	680,151
Total	\$ 712,163	\$ 2,268,984	\$ 2,981,147

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**FAIRBANKS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 4,906,620	\$ 3,706,081	\$ 2,701,179

**FAIRBANKS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 20,252,880	\$ 15,240,119	\$ 11,011,560

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 13 - POSTEMPLOYMENT BENEFITS – (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$26,948.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$26,948, \$25,244, and \$35,873, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. None of the District's contributions were allocated to fund health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 165,648
Net adjustment for revenue accruals	728,848
Net adjustment for expenditure accruals	(156,444)
Net adjustment for other sources/uses	42,782
Funds budgeted elsewhere *	(5,445)
Adjustment for encumbrances	91,565
GAAP basis	<u>\$ 866,954</u>

*Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the uniform school supplies fund, the public school support fund and the internal service rotary fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As a result of the fiscal year 2017 reviews, the District is due \$6,413 from ODE. \$2,473 has been recorded as an Intergovernmental Receivable and \$4,847 as an Intergovernmental Payable as a result of the first two fiscal year 2017 enrollment adjustments. The remainder has not been included in the financial statements.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	186,533
Current year offsets	<u>(186,533)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 70,377
Other governmental	<u>66,391</u>
Total	<u>\$ 136,768</u>

NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under the Enterprise Zone Agreements ("EZAs") program within the taxing districts of the District. The EZA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, Union County and Millcreek Township have entered into an EZA. Under this agreement, the District's property taxes were reduced by \$4,654. The District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05063590%	0.04846240%	0.04826100%	0.04826100%
District's proportionate share of the net pension liability	\$ 3,706,081	\$ 2,765,312	\$ 2,442,462	\$ 2,869,927
District's covered payroll	\$ 1,685,843	\$ 1,458,968	\$ 1,402,359	\$ 1,286,004
District's proportionate share of the net pension liability as a percentage of its covered payroll	219.84%	189.54%	174.17%	223.17%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04552957%	0.04397864%	0.04383762%	0.04383762%
District's proportionate share of the net pension liability	\$ 15,240,119	\$ 12,154,410	\$ 10,662,826	\$ 12,701,489
District's covered payroll	\$ 4,870,386	\$ 4,621,864	\$ 4,478,992	\$ 4,539,246
District's proportionate share of the net pension liability as a percentage of its covered payroll	312.91%	262.98%	238.06%	279.81%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 239,911	\$ 236,018	\$ 192,292	\$ 194,367
Contributions in relation to the contractually required contribution	<u>(239,911)</u>	<u>(236,018)</u>	<u>(192,292)</u>	<u>(194,367)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,713,650	\$ 1,685,843	\$ 1,458,968	\$ 1,402,359
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 177,983	\$ 170,748	\$ 169,892	\$ 180,681	\$ 133,575	\$ 132,614
<u>(177,983)</u>	<u>(170,748)</u>	<u>(169,892)</u>	<u>(180,681)</u>	<u>(133,575)</u>	<u>(132,614)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,286,004	\$ 1,269,502	\$ 1,351,567	\$ 1,334,424	\$ 1,357,470	\$ 1,350,448
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 740,596	\$ 681,854	\$ 647,061	\$ 582,269
Contributions in relation to the contractually required contribution	<u>(740,596)</u>	<u>(681,854)</u>	<u>(647,061)</u>	<u>(582,269)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,289,971	\$ 4,870,386	\$ 4,621,864	\$ 4,478,992
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$ 590,102	\$ 600,328	\$ 623,438	\$ 599,192	\$ 582,440	\$ 582,415
<u>(590,102)</u>	<u>(600,328)</u>	<u>(623,438)</u>	<u>(599,192)</u>	<u>(582,440)</u>	<u>(582,415)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,539,246	\$ 4,617,908	\$ 4,795,677	\$ 4,609,169	\$ 4,480,308	\$ 4,480,115
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairbanks Local School District, Union County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2018, wherein we noted the District restated beginning net position of Governmental Activities at July 1, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Districts' internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 26, 2018



Dave Yost • Auditor of State

FAIRBANKS LOCAL SCHOOL DISTRICT

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 10, 2018**