



Dave Yost • Auditor of State



**FAIRBORN LOCAL SCHOOL DISTRICT  
GREENE COUNTY  
JUNE 30, 2017**

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**FAIRBORN CITY SCHOOL DISTRICT  
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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairborn City School District, Greene 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 such 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, each major fund, and the aggregate remaining fund information of Fairborn City School District, Greene County, Ohio, as of June 30, 2017, and the respective changes in financial position 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.

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**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 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.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 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 9, 2018

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

The Management's Discussion and Analysis of the Fairborn City 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 2017 are as follows:

- In total, net position of governmental activities increased \$29,170,960 which represents a 70.42% increase from 2016 as restated (see Note 3.C).
- General revenues accounted for \$69,222,364 in revenue or 88.26% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9,209,369 or 11.74% of total revenues of \$78,431,733.
- The District had \$49,260,773 in expenses related to governmental activities; only \$9,209,369 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements, and restricted grants) of \$69,222,364 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund, and the classroom facilities fund. The general fund had \$46,762,080 in revenues and \$42,175,163 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance increased \$4,586,917 from \$16,217,260 to \$20,804,177.
- The bond retirement fund had \$12,558,926 in revenues and other financing sources and \$11,514,021 in expenditures. During fiscal year 2017, the bond retirement fund's fund balance increased \$1,044,905 from \$1,124,558 to \$2,169,463.
- The classroom facilities fund had \$28,146,332 in revenues and other financing sources and \$92,478 in expenditures. During fiscal year 2017, the classroom facilities fund's fund balance increased \$28,053,854 from \$0 to \$28,053,854 due primarily to the issuance of bonds related to a construction project finance in conjunction with the Ohio Facilities Construction Commission (OFCC).

**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 nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund, and classroom facilities fund are by far the most significant funds, and are reported as a major funds.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

**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 of resources, liabilities, deferred inflows of resources, 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 position* and changes in that 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 governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services and extracurricular activities.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 11. 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, bond retirement fund, and classroom facilities 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 financial 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 basic financial statements.

***Reporting the District's Fiduciary Responsibilities***

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



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

***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.

***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 District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2017 and 2016. The net position at June 30, 2016 has been restated as described in Note 3.C.

	Net Position - Governmental Activities	
	2017	Restated 2016
<b><u>Assets</u></b>		
Current and other assets	\$ 110,335,634	\$ 43,214,259
Capital assets, net	<u>9,541,588</u>	<u>10,574,505</u>
Total assets	<u>119,877,222</u>	<u>53,788,764</u>
<b><u>Deferred outflows of resources</u></b>		
Pension	<u>12,299,816</u>	<u>5,472,223</u>
Total deferred outflows	<u>12,299,816</u>	<u>5,472,223</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,157,642	4,336,606
Long-term liabilities:		
Due within one year	2,004,951	1,377,932
Due in more than one year:		
Net pension liability	68,723,482	56,812,934
Other amounts	<u>46,504,923</u>	<u>13,352,394</u>
Total liabilities	<u>122,390,998</u>	<u>75,879,866</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes and PILOTS	19,808,350	18,748,180
Deferred gain on refunding	276,213	305,545
Pensions	<u>1,954,505</u>	<u>5,751,384</u>
Total deferred inflows	<u>22,039,068</u>	<u>24,805,109</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	(3,267,779)	(2,104,264)
Restricted	29,857,426	3,308,836
Unrestricted (deficit)	<u>(38,842,675)</u>	<u>(42,628,560)</u>
Total net position (deficit)	<u>\$ (12,253,028)</u>	<u>\$ (41,423,988)</u>

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

*Net Pension Liability and Related Deferred Inflows and Outflows of Resources*

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.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

*Analysis of Net Position*

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets plus deferred outflows of resources were less than liabilities plus deferred inflows of resources by \$12,253,028. At year-end, restricted net position was \$29,857,426.

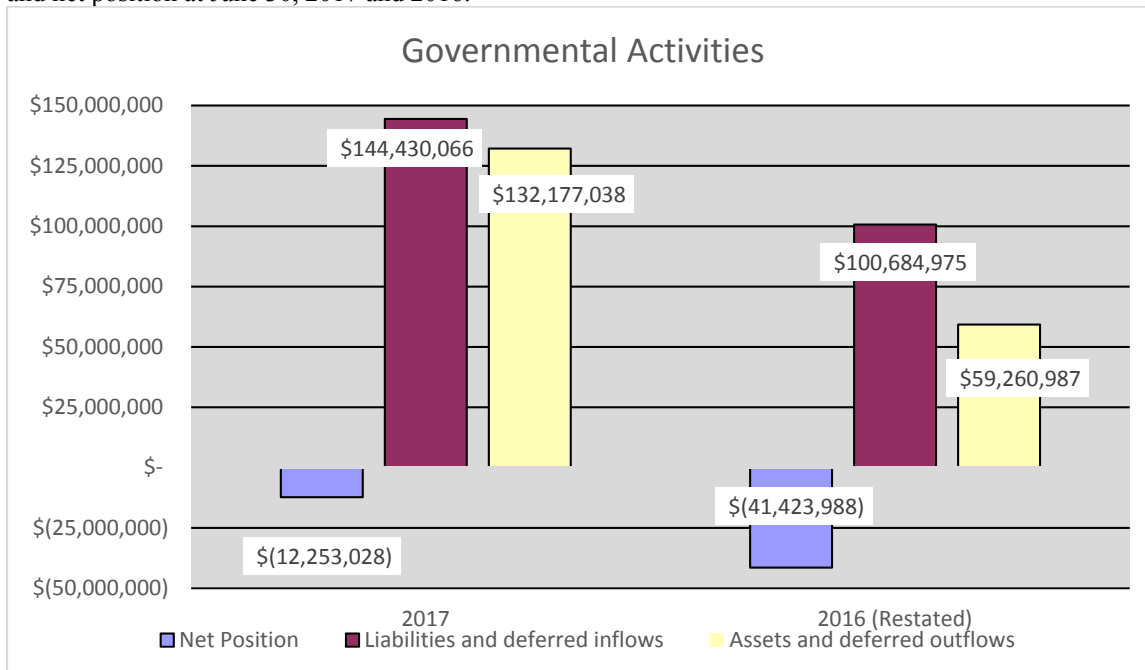
At year-end, capital assets represented 7.96% of total assets. Capital assets include land, CIP, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2017, was a deficit of \$3,267,779. These capital assets are used to provide services to the 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.

Assets of the District increased \$66,088,458. This increase is primarily the result of an increase in cash and investments due to the issuance of bonds and notes in the current year coupled with an increase in intergovernmental receivable due to the grant agreement with the Ohio Facilities Construction Commission (OFCC).

Long-term liabilities increased primarily as a result of the issuance of bonds to finance the construction of new school buildings in accordance with the agreement between the OFCC and the District. In addition, the District's has reported an increase in the net pension liability discussed above. 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.

A portion of the District's net position, \$29,857,426, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$38,842,675 at June 30, 2017.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2017 and 2016.



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

Although the District has restated net position as described in Note 3.C, the effect of the accounting change on specific 2016 program expenses is not determinable. As such, the 2016 expenses have not been restated and entire amount of the accounting change has been reflected in net position at beginning of year. The table below shows the change in net position for fiscal years 2017 and 2016.

	Change in Net Position - Governmental Activities	
<b><u>Revenues</u></b>	2017	2016
Program revenues:		
Charges for services and sales	\$ 954,891	\$ 1,193,717
Operating grants and contributions	8,254,478	7,579,468
General revenues:		
Property taxes and PILOTS	20,464,359	17,767,049
Income taxes	3,877,917	3,814,525
Grants and entitlements	44,695,187	22,146,093
Investment earnings	315,825	153,159
(Decrease) in fair value of investments	(236,291)	-
Miscellaneous	105,367	318,204
Total revenues	78,431,733	52,972,215
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	17,019,438	15,955,675
Special	9,617,254	9,218,968
Other	3,873,420	3,607,359
Support services:		
Pupil	2,771,003	2,593,028
Instructional staff	925,489	1,077,018
Board of education	74,347	116,771
Administration	3,289,477	3,005,776
Fiscal	880,459	807,496
Business	287,639	269,419
Operations and maintenance	3,493,445	3,614,206
Pupil transportation	2,751,908	2,694,958
Central	503,744	559,402
Operation of non-instructional services:		
Food services	1,978,748	1,806,473
Other non-instructional services	145,327	47,917
Extracurricular activities	842,724	841,833
Interest and fiscal charges	806,351	247,685
Total expenses	49,260,773	46,463,984
Change in net position	29,170,960	6,508,231
Net position (deficit) at beginning of year (restated)	(41,423,988)	(47,932,219)
Net position (deficit) at end of year	\$ (12,253,028)	\$ (41,423,988)

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

**Governmental Activities**

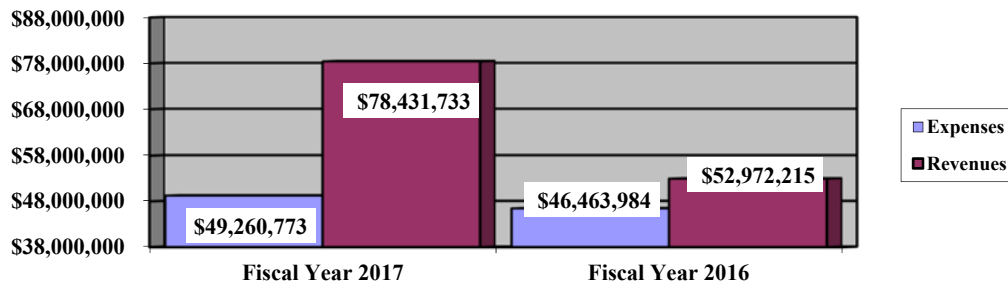
Net position of the District's governmental activities increased \$29,170,960. Total governmental expenses of \$49,260,773 were offset by program revenues of \$9,209,369 and general revenues of \$69,222,364. Program revenues supported 18.70% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 87.71% of total governmental revenue. Operating grants and contributions increased as a result of receiving more aid from the State of Ohio that is restricted to specific programs. Grants and entitlements increased as the District entered into a grant agreement with the OFCC for the construction of new buildings. The decrease in fair value of investments is due to the District being required to report investments at fair value rather than cost. The fair value of investments fluctuates throughout the year. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

Overall, expenses increased \$2,796,789 or 6.02% from the prior year. Pension expense was the primary reason for the increase in expenses. Pension expense for fiscal year 2017 was \$4,578,551 compared to \$2,532,980 for fiscal year 2016. Pension expense is reported as a program expense of the program benefitting from the employee's service.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table on the next page shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Although the District has restated net position as described in Note 3.C, the effect of the accounting change on specific 2016 program expenses is not determinable. As such, the Total Cost of Services and the Net Cost of Services for 2016 as previously reported have not been restated.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

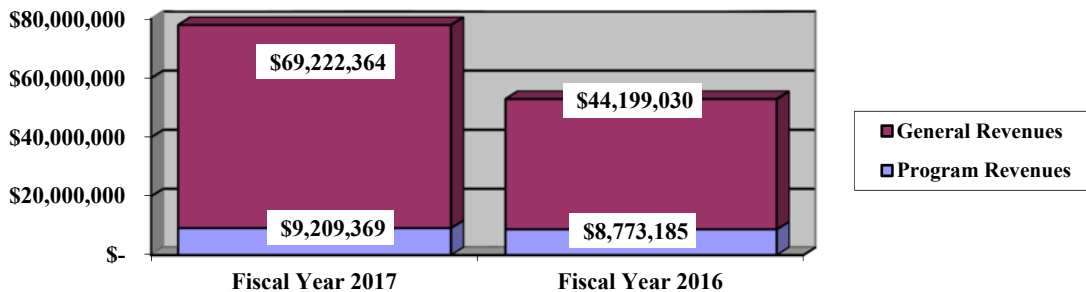
**Governmental Activities**

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 17,019,438	\$ 16,423,816	\$ 15,955,675	\$ 15,176,333
Special	9,617,254	4,294,840	9,218,968	4,452,318
Other	3,873,420	3,671,359	3,607,359	3,497,802
Support services:				
Pupil	2,771,003	2,723,621	2,593,028	2,537,874
Instructional staff	925,489	789,069	1,077,018	756,099
Board of education	74,347	74,347	116,771	116,771
Administration	3,289,477	3,053,105	3,005,776	2,695,975
Fiscal	880,459	880,459	807,496	807,496
Business	287,639	287,639	269,419	269,419
Operation and maintenance	3,493,445	3,484,177	3,614,206	3,596,242
Pupil transportation	2,751,908	2,561,250	2,694,958	2,555,617
Central	503,744	496,544	559,402	552,202
Operations of non-instructional services				
Food service operations	1,978,748	(90,677)	1,806,473	(161,927)
Other non-instructional services	145,327	22,857	47,917	(6,369)
Extracurricular activities	842,724	572,647	841,833	597,262
Interest and fiscal charges	806,351	806,351	247,685	247,685
<b>Total expenses</b>	<b><u>\$ 49,260,773</u></b>	<b><u>\$ 40,051,404</u></b>	<b><u>\$ 46,463,984</u></b>	<b><u>\$ 37,690,799</u></b>

The dependence upon tax and other general revenues for governmental activities is apparent, 79.94% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.30%. The District's taxpayers, unrestricted grants and entitlements from the State of Ohio and grants restricted for the OFCC project, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.

**Governmental Activities - General and Program Revenues**



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

**The District's Funds**

The District's governmental funds (as presented on the Balance Sheet on page 17) reported a combined fund balance of \$60,784,123, which is a higher balance than last year's total balance of \$19,089,326. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	<u>Change</u>
General	\$ 20,804,177	\$ 16,217,260	\$ 4,586,917
Bond retirement	2,169,463	1,124,558	1,044,905
Classroom facilities	28,053,854	-	28,053,854
Nonmajor governmental	<u>9,756,629</u>	<u>1,747,508</u>	<u>8,009,121</u>
Total	<u>\$ 60,784,123</u>	<u>\$ 19,089,326</u>	<u>\$41,694,797</u>

**General Fund**

The District's general fund balance increased \$4,586,917. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2017 <u>Amount</u>	2016 <u>Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 21,682,897	\$ 20,194,778	\$ 1,488,119	7.37 %
Payment in lieu of taxes	230,664	101,498	129,166	127.26 %
Tuition	190,044	423,310	(233,266)	(55.11) %
Earnings on investments	227,015	149,747	77,268	51.60 %
(Decrease) in fair value of investments	(236,291)	-	(236,291)	100.00 %
Extracurricular activities	112,344	104,363	7,981	7.65 %
Intergovernmental	24,222,773	24,756,987	(534,214)	(2.16) %
Other revenues	<u>332,634</u>	<u>536,602</u>	<u>(203,968)</u>	<u>(38.01) %</u>
Total	<u>\$ 46,762,080</u>	<u>\$ 46,267,285</u>	<u>\$ 494,795</u>	<u>1.07 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 26,569,848	\$ 26,018,392	\$ 551,456	2.12 %
Support services	13,952,772	14,133,258	(180,486)	(1.28) %
Operation of non-instructional services	22,841	10,410	12,431	119.41 %
Extracurricular activities	<u>627,904</u>	<u>623,771</u>	<u>4,133</u>	<u>0.66 %</u>
Total	<u>\$ 41,173,365</u>	<u>\$ 40,785,831</u>	<u>\$ 387,534</u>	<u>0.95 %</u>

Revenues of the general fund increased \$494,795 or 1.07%. The most significant area of increase was payment in lieu of taxes. Payment in lieu of taxes increased \$129,166 or 127.26% due to increased collections in fiscal year 2017. The increase in earnings on investment is due to the District having more monies to invest in fiscal year 2017 as a result of the issuance of bonds. The decrease in fair value of investments is due to the District being required to report investments at fair value rather than cost. The fair value of investments fluctuates throughout the year. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

Expenditures of the general fund increased \$387,534 or 0.95%. Instruction expenditures increased primarily in the area of regular instruction which increased \$279,881. Support services decreased primarily in the area of operation and maintenance expenditures which decreased \$212,971. Operation of non-instructional services increased significantly percentage wise but the dollar amount increase is not significant.

***Bond retirement fund***

The bond retirement fund had \$12,558,926 in revenues and other financing sources and \$11,514,021 in expenditures. During fiscal year 2017, the bond retirement fund's fund balance increased \$1,044,905 from \$1,124,558 to \$2,169,463.

***Classroom facilities fund***

The classroom facilities fund had \$28,146,332 in revenues and other financing sources and \$92,478 in expenditures. During fiscal year 2017, the classroom facilities fund's fund balance increased \$28,053,854 from \$0 to \$28,053,854 due primarily to the issuance of bonds related to a construction project finance in conjunction with the OFCC.

***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 year 2017, the District amended its general fund budget numerous times. For the general fund, original and final budgeted revenues and other financing sources were \$44,802,678. Actual revenues and other financing sources for fiscal year 2017 was \$46,188,625. This represents a \$1,385,947 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$44,397,392 were the same as final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$43,329,499, which was \$1,067,893 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2017, the District had \$9,541,588 invested in land, CIP, land improvements, buildings and improvements, furniture, equipment and vehicles. This entire amount is 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)**

	Governmental Activities	
	2017	2016
Land	\$ 299,675	\$ 299,675
CIP	92,478	-
Land improvements	1,507,096	1,803,777
Building and improvements	3,897,649	4,505,577
Furniture, equipment, and vehicles	3,744,690	3,965,476
Total	\$ 9,541,588	\$ 10,574,505



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

Total additions to capital assets for 2017 were \$513,972. The District recorded \$1,546,889 in depreciation expense for fiscal year 2017.

Refer to Note 8 in the basic financial statements for further detail on the District's capital assets.

***Debt Administration***

At June 30, 2017, the District had \$44,646,331 in general obligation bonds outstanding. Of this total, \$1,625,000 is due within one year and \$43,021,331 is due within more than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 44,646,331	\$ 12,004,940
Total	<u>\$ 44,646,331</u>	<u>\$ 12,004,940</u>

At June 30, 2017, the District's voted debt margin was \$11,581,504 with an unvoted debt margin of \$600,649.

See Note 9 to the basic financial statements for further detail on the District's debt administration.

**Current Financial Related Activities**

Financially, the future of the District is not without challenges. Management must diligently plan future expenditures and work desperately to operate within the constraints of the resources available. The District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**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 the Treasurer at Fairborn City School District, 306 E. Whittier Ave., Fairborn, Ohio 45324.

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**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 61,921,315
Receivables:	
Property taxes . . . . .	21,961,745
Income taxes . . . . .	1,382,847
Payment in lieu of taxes . . . . .	244,350
Accounts . . . . .	59,783
Accrued interest . . . . .	116,666
Intergovernmental . . . . .	24,410,026
Prepayments . . . . .	205,772
Materials and supplies inventory . . . . .	5,760
Inventory held for resale . . . . .	27,370
Capital assets:	
Nondepreciable capital assets . . . . .	392,153
Depreciable capital assets, net . . . . .	9,149,435
Capital assets, net . . . . .	<u>9,541,588</u>
Total assets . . . . .	<u>119,877,222</u>
<b>Deferred outflows of resources:</b>	
Pension - STRS . . . . .	9,293,431
Pension - SERS . . . . .	<u>3,006,385</u>
Total deferred outflows of resources . . . . .	<u>12,299,816</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	371,634
Contracts payable . . . . .	92,478
Accrued wages and benefits payable . . . . .	3,866,871
Intergovernmental payable . . . . .	153,401
Pension and postemployment benefits payable . . . . .	575,124
Accrued interest payable . . . . .	98,134
Long-term liabilities:	
Due within one year . . . . .	2,004,951
Due in more than one year:	
Net pension liability (See Note 11) . . . . .	68,723,482
Other amounts due in more than one year . . . . .	<u>46,504,923</u>
Total liabilities . . . . .	<u>122,390,998</u>
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	19,564,000
Payment in lieu of taxes levied for the next fiscal year . . . . .	244,350
Unamortized deferred gain on debt refunding . . . . .	276,213
Pension - STRS . . . . .	1,909,218
Pension - SERS . . . . .	45,287
Total deferred inflows of resources . . . . .	<u>22,039,068</u>
<b>Net position:</b>	
Net investment in capital assets . . . . .	(3,267,779)
Restricted for:	
Capital projects . . . . .	25,240,871
Permanent fund - nonexpendable . . . . .	12,218
Classroom facilities maintenance . . . . .	100,547
Debt service . . . . .	2,087,351
Locally funded programs . . . . .	10,076
State funded programs . . . . .	19,615
Federally funded programs . . . . .	434,583
Student activities . . . . .	95,368
Other purposes . . . . .	1,856,797
Unrestricted (deficit) . . . . .	<u>(38,842,675)</u>
Total net position (deficit) . . . . .	<u>\$ (12,253,028)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 17,019,438	\$ 228,454	\$ 367,168	\$ (16,423,816)
Special . . . . .	9,617,254	28,248	5,294,166	(4,294,840)
Other . . . . .	3,873,420	-	202,061	(3,671,359)
Support services:				
Pupil . . . . .	2,771,003	-	47,382	(2,723,621)
Instructional staff . . . . .	925,489	-	136,420	(789,069)
Board of education . . . . .	74,347	-	-	(74,347)
Administration . . . . .	3,289,477	88,706	147,666	(3,053,105)
Fiscal . . . . .	880,459	-	-	(880,459)
Business . . . . .	287,639	-	-	(287,639)
Operations and maintenance . . . . .	3,493,445	8,612	656	(3,484,177)
Pupil transportation . . . . .	2,751,908	69,292	121,366	(2,561,250)
Central . . . . .	503,744	-	7,200	(496,544)
Operation of non-instructional services				
Food service operations . . . . .	1,978,748	286,530	1,782,895	90,677
Other non-instructional services . . . . .	145,327	-	122,470	(22,857)
Extracurricular activities . . . . .	842,724	245,049	25,028	(572,647)
Interest and fiscal charges . . . . .	806,351	-	-	(806,351)
<b>Total governmental activities . . . . .</b>	<b>\$ 49,260,773</b>	<b>\$ 954,891</b>	<b>\$ 8,254,478</b>	<b>(40,051,404)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				17,798,353
Debt service . . . . .				2,320,201
Facilities maintenance . . . . .				98,769
Payments in lieu of taxes . . . . .				247,036
Income taxes levied for:				
General purposes . . . . .				3,877,917
Grants and entitlements not restricted to specific programs . . . . .				21,242,409
Grants restricted for Ohio Facilities Construction Commission . . . . .				23,452,778
Investment earnings . . . . .				315,825
(Decrease) in fair value of investments . . . . .				(236,291)
Miscellaneous . . . . .				105,367
<b>Total general revenues . . . . .</b>				<b>69,222,364</b>
Change in net position . . . . .				29,170,960
<b>Net position (deficit) at beginning of year (restated) . . . . .</b>				<b>(41,423,988)</b>
<b>Net position (deficit) at end of year . . . . .</b>				<b>\$ (12,253,028)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 21,667,324	\$ 1,920,567	\$ 28,146,332	\$ 10,187,092	\$ 61,921,315
Receivables:					
Property taxes . . . . .	18,911,242	2,902,521	-	147,982	21,961,745
Income taxes . . . . .	1,382,847	-	-	-	1,382,847
Payment in lieu of taxes . . . . .	210,094	32,594	-	1,662	244,350
Accounts . . . . .	59,757	-	-	26	59,783
Accrued interest . . . . .	116,666	-	-	-	116,666
Interfund loans . . . . .	308,397	-	-	-	308,397
Intergovernmental . . . . .	268,210	-	22,845,031	1,296,785	24,410,026
Prepayments . . . . .	188,798	-	-	16,974	205,772
Materials and supplies inventory . . . . .	-	-	-	5,760	5,760
Inventory held for resale . . . . .	-	-	-	27,370	27,370
Total assets . . . . .	<u>\$ 43,113,335</u>	<u>\$ 4,855,682</u>	<u>\$ 50,991,363</u>	<u>\$ 11,683,651</u>	<u>\$ 110,644,031</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 343,570	\$ -	\$ -	\$ 28,064	\$ 371,634
Contracts payable . . . . .	-	-	92,478	-	92,478
Accrued wages and benefits payable . . . . .	3,445,330	-	-	421,541	3,866,871
Compensated absences payable . . . . .	122,204	-	-	-	122,204
Intergovernmental payable . . . . .	148,095	-	-	5,306	153,401
Pension obligation payable . . . . .	490,277	-	-	84,847	575,124
Interfund loans payable . . . . .	-	-	-	308,397	308,397
Total liabilities . . . . .	<u>4,549,476</u>	<u>-</u>	<u>92,478</u>	<u>848,155</u>	<u>5,490,109</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . . . .	16,853,595	2,579,104	-	131,301	19,564,000
Payment in lieu of taxes levied for the next fiscal year . . . . .	210,094	32,594	-	1,662	244,350
Delinquent property tax revenue not available . . . . .	483,242	74,521	-	3,982	561,745
Intergovernmental revenue not available . . . . .	-	-	22,845,031	941,922	23,786,953
Accrued interest not available . . . . .	90,079	-	-	-	90,079
Miscellaneous revenue not available . . . . .	122,672	-	-	-	122,672
Total deferred inflows of resources . . . . .	<u>17,759,682</u>	<u>2,686,219</u>	<u>22,845,031</u>	<u>1,078,867</u>	<u>44,369,799</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory . . . . .	-	-	-	5,760	5,760
Prepays . . . . .	188,798	-	-	16,974	205,772
Endowments . . . . .	-	-	-	12,218	12,218
Restricted:					
Debt service . . . . .	-	2,169,463	-	-	2,169,463
Capital improvements . . . . .	-	-	28,053,854	7,985,899	36,039,753
Classroom facilities maintenance . . . . .	-	-	-	96,565	96,565
Food service operations . . . . .	-	-	-	1,877,976	1,877,976
Non-public schools . . . . .	-	-	-	37	37
Other purposes . . . . .	-	-	-	25,883	25,883
Extracurricular . . . . .	-	-	-	95,368	95,368
Special trust . . . . .	-	-	-	4,216	4,216
Committed:					
Termination benefits . . . . .	555,248	-	-	-	555,248
Assigned:					
Student instruction . . . . .	425,087	-	-	-	425,087
Student and staff support . . . . .	870,683	-	-	-	870,683
Extracurricular activities . . . . .	3,062	-	-	-	3,062
Other purposes . . . . .	775	-	-	-	775
Unassigned (deficit) . . . . .	18,760,524	-	-	(364,267)	18,396,257
Total fund balances . . . . .	<u>20,804,177</u>	<u>2,169,463</u>	<u>28,053,854</u>	<u>9,756,629</u>	<u>60,784,123</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 43,113,335</u>	<u>\$ 4,855,682</u>	<u>\$ 50,991,363</u>	<u>\$ 11,683,651</u>	<u>\$ 110,644,031</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

<b>Total governmental fund balances</b>		\$	60,784,123
<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.			9,541,588
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Delinquent property taxes receivable	\$	561,745	
Accrued interest receivable		90,079	
Intergovernmental receivable		23,909,625	
Total		23,909,625	24,561,449
Unamortized premiums on bonds issued are not recognized in the funds.			(1,806,949)
Unamortized deferred gains on debt refundings are not recognized in the funds.			(276,213)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(98,134)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - pension		12,299,816	
Deferred inflows - pension		(1,954,505)	
Net pension liability		(68,723,482)	
Total		(68,723,482)	(58,378,171)
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		(44,787,704)	
Compensated absences		(1,793,017)	
Total		(46,580,721)	(46,580,721)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>(12,253,028)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 17,804,980	\$ 2,281,142	\$ -	\$ 94,787	\$ 20,180,909
Income taxes . . . . .	3,877,917	-	-	-	3,877,917
Payment in lieu of taxes . . . . .	230,664	16,372	-	-	247,036
Tuition . . . . .	190,044	-	-	-	190,044
Transportation fees . . . . .	69,292	-	-	-	69,292
Earnings on investments . . . . .	227,015	-	7,064	18,283	252,362
(Decrease) in fair value of investments . . . . .	(236,291)	-	-	-	(236,291)
Charges for services . . . . .	-	-	-	286,530	286,530
Extracurricular . . . . .	112,344	-	-	138,189	250,533
Classroom materials and fees . . . . .	58,317	-	-	7,067	65,384
Rental income . . . . .	3,590	-	-	-	3,590
Contributions and donations . . . . .	7,362	-	-	32,923	40,285
Contract services . . . . .	88,706	-	-	-	88,706
Other local revenues . . . . .	105,367	-	-	235	105,602
Intergovernmental - state . . . . .	24,049,973	189,515	607,747	329,104	25,176,339
Intergovernmental - federal . . . . .	172,800	-	-	4,101,526	4,274,326
Total revenues . . . . .	<u>46,762,080</u>	<u>2,487,029</u>	<u>614,811</u>	<u>5,008,644</u>	<u>54,872,564</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	15,680,736	-	-	341,980	16,022,716
Special . . . . .	7,091,533	-	-	2,194,884	9,286,417
Other . . . . .	3,797,579	-	-	-	3,797,579
Support services:					
Pupil . . . . .	2,579,235	-	-	33,247	2,612,482
Instructional staff . . . . .	621,658	-	-	129,942	751,600
Board of education . . . . .	71,721	-	-	-	71,721
Administration . . . . .	2,964,062	-	-	135,446	3,099,508
Fiscal . . . . .	849,660	18,608	-	734	869,002
Business . . . . .	272,428	-	-	-	272,428
Operations and maintenance . . . . .	3,410,077	-	-	21,579	3,431,656
Pupil transportation . . . . .	2,719,125	-	-	-	2,719,125
Central . . . . .	464,806	-	-	-	464,806
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	1,881,104	1,881,104
Other non-instructional services . . . . .	22,841	-	-	119,347	142,188
Extracurricular activities . . . . .	627,904	-	-	142,928	770,832
Facilities acquisition and construction . . . . .	-	-	92,478	-	92,478
Debt service:					
Principal retirement . . . . .	-	10,995,000	-	-	10,995,000
Interest and fiscal charges . . . . .	-	369,238	-	-	369,238
Bond and note issuance costs . . . . .	-	131,175	-	311,899	443,074
Total expenditures . . . . .	<u>41,173,365</u>	<u>11,514,021</u>	<u>92,478</u>	<u>5,313,090</u>	<u>58,092,954</u>
Excess of revenues over (under) expenditures . . . . .	<u>5,588,715</u>	<u>(9,026,992)</u>	<u>522,333</u>	<u>(304,446)</u>	<u>(3,220,390)</u>
<b>Other financing sources (uses):</b>					
Premium on bonds and notes issued . . . . .	-	966,897	-	311,899	1,278,796
Issuance of bonds . . . . .	-	9,105,000	-	24,631,391	33,736,391
Issuance of notes . . . . .	-	-	-	9,900,000	9,900,000
Transfers in . . . . .	-	-	27,531,521	1,001,798	28,533,319
Transfers (out) . . . . .	(1,001,798)	-	-	(27,531,521)	(28,533,319)
Total other financing sources (uses) . . . . .	<u>(1,001,798)</u>	<u>10,071,897</u>	<u>27,531,521</u>	<u>8,313,567</u>	<u>44,915,187</u>
Net change in fund balances . . . . .	4,586,917	1,044,905	28,053,854	8,009,121	41,694,797
<b>Fund balances at beginning of year . . . . .</b>	<b>16,217,260</b>	<b>1,124,558</b>	<b>-</b>	<b>1,747,508</b>	<b>19,089,326</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 20,804,177</b>	<b>\$ 2,169,463</b>	<b>\$ 28,053,854</b>	<b>\$ 9,756,629</b>	<b>\$ 60,784,123</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE 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

<b>Net change in fund balances - total governmental funds</b>	\$	41,694,797
<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 costs of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 513,972	
Current year depreciation	(1,546,889)	
Total		(1,032,917)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	36,414	
Interest revenue	79,155	
Intergovernmental revenues	23,440,327	
Total		23,555,896
Repayment of long term debt principal is an expenditure in the governmental funds; however, the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
		10,995,000
Issuances of long term debt are recorded as other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position.		
		(43,636,391)
Premiums on bonds and notes issued are recorded as other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position.		
		(1,278,796)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(83,971)	
Accreted interest on capital appreciation bonds	(85,076)	
Amortization of bond premiums	107,561	
Amortization of note premiums	38,115	
Amortization of deferred gain on debt refunding	29,332	
Total		5,961
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		3,292,475
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(4,578,551)
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.		
		153,486
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>29,170,960</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE 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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 16,650,008	\$ 16,647,776	\$ 17,144,515	\$ 496,739
Income taxes . . . . .	3,744,744	3,744,243	3,855,964	111,721
Payment in lieu of taxes . . . . .	224,011	223,981	230,664	6,683
Tuition . . . . .	184,562	184,538	190,044	5,506
Transportation fees . . . . .	33,591	33,587	34,589	1,002
Earnings on investments . . . . .	194,192	194,166	199,960	5,794
Extracurricular . . . . .	100,698	100,685	103,689	3,004
Classroom materials and fees . . . . .	55,051	55,044	56,686	1,642
Rental income . . . . .	4,676	4,675	4,815	140
Contract services . . . . .	82,151	82,140	84,591	2,451
Other local revenues . . . . .	64,235	64,227	66,143	1,916
Intergovernmental - state . . . . .	23,296,943	23,293,823	23,988,867	695,044
Intergovernmental - federal . . . . .	167,816	167,793	172,800	5,007
Total revenues . . . . .	<u>44,802,678</u>	<u>44,796,678</u>	<u>46,133,327</u>	<u>1,336,649</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	16,049,426	16,049,426	15,663,386	386,040
Special . . . . .	7,173,158	7,173,158	7,000,622	172,536
Other . . . . .	3,942,406	3,942,406	3,847,579	94,827
Support services:				
Pupil . . . . .	2,741,996	2,741,996	2,676,043	65,953
Instructional staff . . . . .	721,412	721,412	704,060	17,352
Board of education . . . . .	100,903	100,903	98,476	2,427
Administration . . . . .	3,023,147	3,023,147	2,950,431	72,716
Fiscal . . . . .	853,493	853,493	832,964	20,529
Business . . . . .	287,034	287,034	280,130	6,904
Operations and maintenance . . . . .	3,963,671	3,963,671	3,868,333	95,338
Pupil transportation . . . . .	2,815,213	2,815,213	2,747,499	67,714
Central . . . . .	601,847	601,847	587,371	14,476
Operation of non-instructional services:				
Other non-instructional services . . . . .	22,379	22,379	21,841	538
Extracurricular activities . . . . .	664,145	664,145	648,170	15,975
Total expenditures . . . . .	<u>42,960,230</u>	<u>42,960,230</u>	<u>41,926,905</u>	<u>1,033,325</u>
Excess of revenues over expenditures . . . . .	<u>1,842,448</u>	<u>1,836,448</u>	<u>4,206,422</u>	<u>2,369,974</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	-	-	43,747	43,747
Refund of prior year's receipts . . . . .	(45,900)	(45,900)	(44,796)	1,104
Transfers in . . . . .	-	6,000	6,000	-
Transfers (out) . . . . .	(1,391,262)	(1,391,262)	(1,357,798)	33,464
Sale of capital assets . . . . .	-	-	5,551	5,551
Total other financing sources (uses) . . . . .	<u>(1,437,162)</u>	<u>(1,431,162)</u>	<u>(1,347,296)</u>	<u>83,866</u>
Net change in fund balance . . . . .	405,286	405,286	2,859,126	2,453,840
<b>Fund balance at beginning of year . . . . .</b>	<b>16,346,841</b>	<b>16,346,841</b>	<b>16,346,841</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>739,999</b>	<b>739,999</b>	<b>739,999</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 17,492,126</u></b>	<b><u>\$ 17,492,126</u></b>	<b><u>\$ 19,945,966</u></b>	<b><u>\$ 2,453,840</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 20,152	\$ 150,087
<b>Liabilities:</b>		
Accounts payable. . . . .	-	3,747
Due to students. . . . .	-	146,340
Total liabilities . . . . .	-	\$ 150,087
<b>Net position:</b>		
Held in trust for scholarships . . . . .	20,152	
Total net position. . . . .	\$ 20,152	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 279
Change in net position . . . . .	279
<b>Net position at beginning of year. . . . .</b>	<b>19,873</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 20,152</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

The Fairborn City School District (the “District”) has grown from a union of the Fairborn, Osborn and Bath Township schools, which took place when the town of Osborn was moved. The earliest school records available are of Bath Township schools’ purchase of land on September 1, 1856. The oldest historical record of the Osborn schools is a meeting of the Board of Education of July 27, 1906. The early history of the Fairborn school system consists of a log schoolhouse, one room up and two rooms down, in 1873. When consolidation of the three school systems was suggested there was much of the usual opposition. However, consolidation passed by a small majority and the school year 1923 started under the new plan.

Today the District operates under the current standards prescribed by the Ohio Department of Education as provided in division (D) of sections 3301.07 and 119.01 of the Ohio Revised Code. The District is established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally elected five-member Board form of government and provides educational services as authorized by the Board and further mandated by state and/or federal agencies.

The Board of Education controls the District’s five instructional/support facilities staffed by 264 non-certified, 309 certified employees to provide services to approximately 4,308 students in grades K through 12.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 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 local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s 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.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

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

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).

The District is associated with five jointly governed organizations, and one related organization. In addition, the District has shared service agreements with the Educational Service Centers of Greene and Montgomery Counties.

*JOINTLY GOVERNED ORGANIZATIONS*

Southwestern Ohio Educational Purchasing Council (SOEPC)

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of over 126 public Districts in 18 counties. The purpose of the council is to obtain reduced prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One-year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center, Suite 208, Vandalia, OH 45377.

Miami Valley Special Education Regional Resource Center

The Miami Valley Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 57 members made up of the 38 superintendents, 6 parent mentors, 12 special education directors, and one university. Some entities have more than one voting delegate. Financial information can be obtained from Chris Fox, at the Montgomery County Educational Service Center, 200 S Keowee Street, Dayton, Ohio 45402.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

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

Southwestern Ohio Instructional Technology Association (SOITA)

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. The District paid \$4,972 to SOITA for the year ended June 30, 2017. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenberg, who serves as Executive Director, at 1205 E. Fifth Street, Dayton, OH 45402.

Greene County Career Center

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

Meta Solutions

The District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA), the Metropolitan Educational Council (MEC) and the Metropolitan Dayton Educational Cooperative Association (MDECA). 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 eight of the member districts. During fiscal year 2017, the District paid Meta Solutions \$174,710 for services. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

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

*RELATED ORGANIZATION*

Fairborn Digital Academy Community School

The Fairborn Digital Academy Community School (the "Digital Academy") is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the growing need for a comprehensive educational program delivered to students in the 9-12 population primarily through distance learning technologies. The District appoints two non-voting members of the Digital Academy's Board of Directors. Financial information for the Digital Academy can be obtained from Tammy Emrick, Treasurer, Fairborn Digital Academy Community School, 700 Black Lane, Fairborn, Ohio 45324.

**B. Basis of Presentation**

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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. These statements usually distinguish between those activities of the District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, 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, contributions, and interest 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, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

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

*Fund Financial Statements* - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of two categories of funds: governmental and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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, deferred outflows of resources, liabilities and deferred inflows of resources is reported as fund balance.

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

*Bond retirement fund* - The bond retirement fund is used to account for the accumulation of restricted resources and payment of general obligation bond and note principal, interest and related costs.

*Classroom facilities fund* - The classroom facilities fund is used to account monies received and expended in connection with contracts entered into by the District and the Ohio Facilities Construction Commission (OFCC) for the building and equipping of classroom facilities.

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, not reported in the classroom facilities fund, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

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

*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 not available to support the District's own programs. The District's only trust fund is a private-purpose trust which 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 District's agency funds account for various student-managed activities and for athletic tournament receipts.

**D. Measurement Focus**

*Government-wide Financial Statements* - The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

*Fund Financial Statements* - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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 fund financial statements for governmental funds.

Like the government-wide statements, the private-purpose trust fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fiduciary net position. The statement of changes in fiduciary net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

**E. 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; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

*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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

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

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 the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal 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 the 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 both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

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 11 for deferred outflows of resources related the District's net pension liability. These deferred outflows of resources are only reported on the government-wide statement of net position.

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, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of 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, accrued interest 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 11 for deferred inflows of resources related to the District's net pension liability. These deferred inflows of resources are only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain 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.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

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

Expenses/Expenditures - On the accrual basis, expenses are recognized at the time they are incurred.

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.

**F. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency fund, are legally required to be budgeted and appropriated. The legal level of budgetary control for all funds is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

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 express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Greene County Budget Commission for rate determination.

Estimated Resources

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

Appropriations

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

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

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

Lapsing of Appropriations

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

**G. Equity in Pooled Cash and Investments**

To improve cash management, cash received by the District is pooled. 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 investments" on the financial statements.

During fiscal year 2017, investments were limited to Federal Home Loan Banks (FHLB), Federal Farm Credit Banks (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) securities, negotiable certificates of deposit (negotiable CDs), U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for STAR Ohio, investments are reported at fair value.

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 their 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 the 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 statutes, 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 \$227,015 which includes \$141,951 assigned from other District funds.

For presentation on the balance sheet and statement of net position, 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 investment account at fiscal year-end is provided in Note 4.

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

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

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption and food service inventory held for resale.

**I. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value. The District maintains a capitalization threshold of \$5,000. 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.

All reported capital assets except land 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>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	20 - 40 years
Furniture, equipment and vehicles	5 - 20 years

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave (severance) 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. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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. A liability for severance is accrued using the termination method; i.e., a liability is accrued for earned sick leave to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

The total liability for vacation and severance 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.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 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 and notes are recognized as a liability on the fund financial statements when due.

**L. Interfund Activity**

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. These amounts are eliminated in the governmental activities column on the statement of net position.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

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

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

**M. 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 such as balances of materials and supplies inventory and prepayments. 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.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the School 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.



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

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

**N. Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. 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 District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$29,857,426 in restricted net position, none was restricted by enabling legislation.

**O. Estimates**

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

**P. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding**

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

For advance refunding 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 or deferred inflow of resources.

**Q. Non-Public Schools**

Within the District boundaries are various non-public schools. Current state legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District, as directed by the non-public school. The fiduciary responsibility of the District for these monies is reflected in a nonmajor governmental fund for financial reporting purposes.

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

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

**R. 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.

**S. Prepayments**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepayments using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

On the fund financial statements, reported prepayments are equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**T. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**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. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

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.

**B. Deficit Fund Balances**

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

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public Preschool	\$ 25,525
IDEA Part B	127,774
Title III - Limited English Proficiency	1,751
Title I	194,059
IDEA Part B - Preschool Stimulus	1,639
Improving Teacher Quality	<u>13,519</u>
Total	<u>\$ 364,267</u>

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.

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Change in Accounting Principle - Restatement of Net Position**

The District has restated net position at June 30, 2016 to reflect a change in accounting principle related to the District's reporting of compensated absences in accordance with GASB Statement No. 16 "Accounting for Compensated Absences". The District's has elected to report its liability for compensated absences using the termination method outlined by GASB Statement No. 16. The District previously reported compensated absences using the vesting method outlined by GASB Statement No. 16. This change in accounting principle had the following effect on net position as previously reported:

	Governmental Activities
Net position (deficit) as previously reported	\$ (42,334,866)
Change in accounting principle related to reporting of compensated absences	910,878
Restated net position (deficit) at July 1, 2016	\$ (41,423,988)

**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.

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 five years 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;

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 (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.

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 year end, the District had \$650 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits was \$5,859,633. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$2,338,342 of the District's bank balance of \$5,933,341 was exposed to custodial risk as discussed below, while \$3,594,999 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 that are not FDIC insured. 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:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	6 months or <u>less</u>	<u>Investment Maturities</u>		
			13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater Than <u>24 months</u>
Fair Value:					
FHLB	\$ 8,276,754	\$ -	\$ 796,152	\$ 2,593,186	\$ 4,887,416
FFCB	10,216,186	-	1,990,800	2,317,007	5,908,379
FHLMC	6,214,440	-	-	801,571	5,412,869
FNMA	8,859,161	-	-	-	8,859,161
Negotiable CD's	4,746,043	1,249,218	1,499,426	-	1,997,399
U.S. Government Money					
Market Mutual Funds	4,662,801	4,662,801	-	-	-
Amortized Cost:					
STAR Ohio	<u>13,255,886</u>	<u>13,255,886</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 56,231,271</u></b>	<b><u>\$ 19,167,905</u></b>	<b><u>\$ 4,286,378</u></b>	<b><u>\$ 5,711,764</u></b>	<b><u>\$ 27,065,224</u></b>

The weighted average maturity of investments is 2.02 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FHLB, FFCB, FHLMC, FNMA) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* 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. The District's investment policy also requires that the investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

*Credit Risk:* The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. STAR Ohio and the U.S. government money market mutual funds were rated AAAm by Standard & Poor's. The negotiable CD's were not rated but are fully insured by the FDIC. The District has no investment policy that would further limit its investment choices.

*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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*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 Amount</u>	<u>% of Total</u>
Fair Value:		
FHLB	\$ 8,276,754	14.72
FFCB	10,216,186	18.17
FHLMC	6,214,440	11.05
FNMA	8,859,161	15.75
Negotiable CD's	4,746,043	8.44
U.S. Government Money Market Mutual Fund	4,662,801	8.29
Amortized Cost:		
STAR Ohio	<u>13,255,886</u>	<u>23.58</u>
Total	<u>\$ 56,231,271</u>	<u>100.00</u>

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**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	\$ 5,859,633
Investments	56,231,271
Cash on hand	<u>650</u>
Total	<u>\$ 62,091,554</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 61,921,315
Private-Purpose trust	20,152
Agency funds	<u>150,087</u>
Total	<u>\$ 62,091,554</u>

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2017 consisted of property taxes, income taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants. 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 summary of the principal items of receivables reported on the statement of net position follows:

<b>Governmental activities:</b>	
Property taxes	\$ 21,961,745
Income taxes	1,382,847
Payment in lieu of taxes	244,350
Accounts	59,783
Accrued interest	116,666
Intergovernmental	<u>24,410,026</u>
Total	<u>\$ 48,175,417</u>

Receivables have been disaggregated on the face of the basic financial statements. The intergovernmental receivable in the amount of \$22,845,031 reported in the classroom facilities fund is expected to be collected over the next several years as the OFCC construction project is completed. All other receivables are expected to be collected in the subsequent year.

**NOTE 6 - INCOME TAXES**

The District levies a voted tax of .50% for general operations on the income of residents and of estates. The tax was first approved in 1990. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

**NOTE 7 - 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.

The District receives property taxes from Greene, Montgomery and Clark Counties. The County Auditors periodically advance 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 2018 operations. The amount available as an advance at June 30, 2017 was \$1,574,405 in the general fund, \$248,896 in the debt service fund and \$12,699 in the classroom facilities maintenance fund. This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$913,940 in the general fund and \$67,130 in the debt service 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.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

**NOTE 7 - PROPERTY TAXES - (Continued)**

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	\$ 577,102,760	96.67	\$ 579,361,190	96.46
Public utility personal	<u>19,875,960</u>	<u>3.33</u>	<u>21,287,390</u>	<u>3.54</u>
Total	<u>\$ 596,978,720</u>	<u>100.00</u>	<u>\$ 600,648,580</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 52.65		\$ 55.35	

**NOTE 8 - CAPITAL ASSETS**

The following capital asset activity occurred during fiscal year 2017:

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/17</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 299,675	\$ -	\$ -	\$ 299,675
Construction in progress	<u>-</u>	<u>92,478</u>	<u>-</u>	<u>92,478</u>
Total capital assets, not being depreciated	<u>299,675</u>	<u>92,478</u>	<u>-</u>	<u>392,153</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	8,036,249	7,070	-	8,043,319
Building and improvements	27,013,779	-	-	27,013,779
Furniture, equipment and vehicles	<u>11,327,762</u>	<u>414,424</u>	<u>(219,393)</u>	<u>11,522,793</u>
Total capital assets, being depreciated	<u>46,377,790</u>	<u>421,494</u>	<u>(219,393)</u>	<u>46,579,891</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(6,232,472)	(303,751)	-	(6,536,223)
Building and improvements	(22,508,202)	(607,928)	-	(23,116,130)
Furniture, equipment and vehicles	<u>(7,362,286)</u>	<u>(635,210)</u>	<u>219,393</u>	<u>(7,778,103)</u>
Total accumulated depreciation	<u>(36,102,960)</u>	<u>(1,546,889)</u>	<u>219,393</u>	<u>(37,430,456)</u>
Governmental activities capital assets, net	<u>\$ 10,574,505</u>	<u>\$ (1,032,917)</u>	<u>\$ -</u>	<u>\$ 9,541,588</u>

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 492,934
Special	184,015
Other	75,962

Support service:

Pupil	54,078
Instructional staff	136,681
Board of education	1,452
Administration	64,034
Fiscal	16,730
Business	5,417
Operations and maintenance	100,094
Pupil transportation	293,002
Central	9,142

Operation of non-instructional services:

Food service operations	64,017
Other non-instructional services	2,800
Extracurricular activities	46,531

Total depreciation expense	<u>\$ 1,546,889</u>
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**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

**NOTE 9 - LONG-TERM OBLIGATIONS**

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:

<b><u>Governmental Activities:</u></b>	<u>Restated Balance 06/30/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/17</u>	<u>Amount Due Within One Year</u>
<b><u>General Obligation Bonds</u></b>					
Series 2015 refunding bonds					
Current interest bonds, 0.75 - 3.5%	\$ 11,835,000	\$ -	\$ (1,095,000)	\$ 10,740,000	\$ 1,100,000
Capital appreciation bonds	169,940	-	-	169,940	-
Accreted interest	56,297	79,009	-	135,306	-
Unamortized premium	673,829	-	(71,557)	602,272	-
Total Series 2015	<u>12,735,066</u>	<u>79,009</u>	<u>(1,166,557)</u>	<u>11,647,518</u>	<u>1,100,000</u>
Series 2017A construction bonds					
Current interest bonds	-	24,550,000	-	24,550,000	450,000
Capital appreciation bonds	-	81,391	-	81,391	-
Accreted interest	-	6,067	-	6,067	-
Unamortized premium	-	408,879	(4,615)	404,264	-
Total Series 2017A	<u>-</u>	<u>25,046,337</u>	<u>(4,615)</u>	<u>25,041,722</u>	<u>450,000</u>
Series 2017B construction bonds					
General obligation bonds	-	9,105,000	-	9,105,000	75,000
Unamortized premium	-	831,802	(31,389)	800,413	-
Total Series 2017B	<u>-</u>	<u>9,936,802</u>	<u>(31,389)</u>	<u>9,905,413</u>	<u>75,000</u>
Series 2016 bond anticipation notes	<u>-</u>	<u>9,900,000</u>	<u>(9,900,000)</u>	<u>-</u>	<u>-</u>
Total bonds	<u>12,735,066</u>	<u>44,962,148</u>	<u>(11,102,561)</u>	<u>46,594,653</u>	<u>1,625,000</u>
Net pension liability:					
STRS	46,337,196	9,034,510	-	55,371,706	-
SERS	10,475,738	2,876,038	-	13,351,776	-
Total net pension liability	<u>56,812,934</u>	<u>11,910,548</u>	<u>-</u>	<u>68,723,482</u>	<u>-</u>
Compensated Absences	<u>1,995,260</u>	<u>269,097</u>	<u>(349,136)</u>	<u>1,915,221</u>	<u>379,951</u>
Total Long-Term Obligations	<u>\$ 71,543,260</u>	<u>\$ 57,141,793</u>	<u>\$ (11,451,697)</u>	<u>\$ 117,233,356</u>	<u>\$ 2,004,951</u>

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

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**General Obligation Bonds**

All general obligation bonds will be repaid from property taxes in the debt service fund.

**Series 2015 Refunding General Obligation Bonds**

On June 17, 2015, the District issued \$12,169,940 of general obligation bonds (Series 2015 refunding bonds) to advance refund the callable of the Series 2006 refunding general obligation bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2006 general obligation bonds at June 30, 2017, is \$10,909,940.

The refunding issue is comprised of both current interest bonds serial bonds, par value \$12,000,000, and capital appreciation bonds par value \$169,940. The interest rates on the current interest bonds range from 0.75% - 3.5%. The capital appreciation bonds mature on December 1, 2021 (effective interest rate 30.33%) 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 \$1,175,000. Total accreted interest of \$135,306 has been included in the statement of net position at June 30, 2017.

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, 2026.

The net carrying amount of the old debt (including unamortized premiums removed upon refunding) exceeded the reacquisition price by \$334,877. This deferred gain on refunding is amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The unamortized portion of the deferred gain is reported as a deferred inflow on the statement of net position.

The future debt service requirements for retirement of the Series 2015 refunding bonds follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,100,000	\$ 271,175	\$ 1,371,175	\$ -	\$ -	\$ -
2019	1,110,000	255,970	1,365,970	-	-	-
2020	1,150,000	235,590	1,385,590	-	-	-
2021	1,120,000	210,930	1,330,930	-	-	-
2022	-	197,770	197,770	169,940	1,005,060	1,175,000
2023 - 2027	6,260,000	525,494	6,785,494	-	-	-
Total	<u>\$ 10,740,000</u>	<u>\$ 1,696,929</u>	<u>\$ 12,436,929</u>	<u>\$ 169,940</u>	<u>\$ 1,005,060</u>	<u>\$ 1,175,000</u>

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

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

Series 2017A Construction General Obligation Bonds

On February 22, 2017, the District issued \$24,550,000 of current interest bonds and \$81,391 of capital appreciation bonds to perform school improvement projects. The interest rates on the current interest bonds range from 2.00% - 4.00%. The capital appreciation bonds matured on December 1, 2024 (effective interest rate 29.37%) and December 1, 2025 (effective interest rate 29.38%) 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 bond maturing December 1, 2024 is \$445,000. The accreted value at maturity for the capital appreciation bond maturing December 1, 2025 is \$205,000. Total accreted interest of \$6,067 has been included in the statement of net position at June 30, 2017.

The general obligation bonds were issued for the purpose of constructing two new elementary schools, one new middle school, one new high school, and to abate and demolish six existing school buildings. As of June 30, 2017, the District had \$24,631,391 of unspent bond proceeds remaining on the bond issue.

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, 2053. The bonds will be retired from the debt service fund.

The future debt service requirements for retirement of the Series 2017A construction bonds follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 450,000	\$ 1,185,614	\$ 1,635,614	\$ -	\$ -	\$ -
2019	325,000	915,188	1,240,188	-	-	-
2020	340,000	905,288	1,245,288	-	-	-
2021	345,000	898,438	1,243,438	-	-	-
2022	380,000	891,188	1,271,188	-	-	-
2023 - 2027	325,000	4,408,264	4,733,264	81,391	568,609	650,000
2028 - 2032	50,000	4,398,810	4,448,810	-	-	-
2033 - 2037	50,000	4,390,063	4,440,063	-	-	-
2038 - 2042	3,190,000	4,196,088	7,386,088	-	-	-
2043 - 2047	6,600,000	3,130,167	9,730,167	-	-	-
2048 - 2052	8,480,000	1,684,912	10,164,912	-	-	-
2053 - 2054	4,015,000	162,100	4,177,100	-	-	-
Total	<u>\$ 24,550,000</u>	<u>\$ 27,166,120</u>	<u>\$ 51,716,120</u>	<u>\$ 81,391</u>	<u>\$ 568,609</u>	<u>\$ 650,000</u>

Series 2017B Construction General Obligation Bonds

On March 14, 2017, the District issued \$9,105,000 of current interest bonds to perform school improvement projects. This issue is comprised of general obligation bonds with interest rates ranging from 2.00% to 4.00%. The general obligation bonds were issued for the purpose of constructing two new elementary schools, one new middle school, one new high school, and to abate and demolish six existing school buildings. As of June 30, 2017, the District had \$9,105,000 of unspent bond proceeds remaining on the bond issue.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2025. The bonds will be retired from the debt service fund.

The future debt service requirements for retirement of the Series 2017B construction bonds follows:

Fiscal Year Ending June 30.	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 75,000	\$ 428,995	\$ 503,995
2019	10,000	352,426	362,426
2020	10,000	352,226	362,226
2021	10,000	352,025	362,025
2022	10,000	351,825	361,825
2023 - 2026	8,990,000	1,205,638	10,195,638
Total	<u>\$ 9,105,000</u>	<u>\$ 3,043,135</u>	<u>\$ 12,148,135</u>

**Series 2016 Bond Anticipation Notes**

The District issued \$9,900,000 of bond anticipation notes on December 1, 2016. The notes were retired from the debt service fund. This issue is comprised of bond anticipation notes with an interest rate of 2.25%. The bond anticipation notes were issued in anticipation of the issuance of bonds passed by a levy on November 8, 2016 to pay for the District's local portion of the OFCC project. The notes matured during fiscal year 2017.

**Net Pension Liability**

See Note 11 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.

**Compensated Absences**

Compensated absences are primarily paid from the termination benefits fund which, on a GAAP-basis, is included as part of the District's general fund.

**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 \$11,581,504 (including available funds of \$2,169,463), and an unvoted debt margin of \$600,649.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

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

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2017, the District carried property and general liability insurance and boiler and machinery insurance.

Professional liability is protected by Arthur J. Gallagher, with \$1,000,000 each occurrence, and \$3,000,000 in annual aggregate limit. An additional “umbrella” policy through Genesis Insurance Company has \$5,000,000 per occurrence and \$5,000,000 aggregate limit.

The District contracted with Arthur J. Gallagher for building and property insurance. Commercial property is insured at a limit of \$136,044,322 with a \$1,000 deductible on everything except boiler and machinery that have a \$3,500 deductible.

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

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

**B. Workers' Compensation**

The District participates in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (GRRP). The intent of the GRRP is to reward participants that are able to keep their individual claim costs below a predetermined amount. The District continues to pay their individual premium; however, the District will have the opportunity to receive retrospective premium adjustments (refunds or assessments) at the end of the three evaluation periods. The group's retrospective premium will be calculated at 12, 24, and 36 months after the end of the policy year. At the end of each period, the Bureau of Workers Comp (BWC) will take a snap-shot of the incurred claims losses for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, all the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by the BWC. CompManagement, Inc. provides administrative, cost control and actuarial services to the Group Retro program.



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

**NOTE 10 - RISK MANAGEMENT - (Continued)**

**C. Employee Medical/Dental Benefits**

The District purchases medical and dental benefits through the SOEPC. Medical benefits are provided through Anthem and dental benefits are provided through Delta Dental. The District has two health plans, HSA and PPO. For the HSA plan, the District pays 80% of the premiums for all eligible employees. For the PPO plan, the District pays 80% of family or single plans with the exception of 9-month classified employees. For classified employees working less than 10 months, the District pays 80% of a single PPO plan and 50% of a family PPO plan. The District provides 100% of the cost of dental insurance to employees. The risk of loss transfers to the insurance carrier upon payment of the premiums.

**NOTE 11 - 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.

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

**NOTE 11 - 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](http://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 \$833,667 for fiscal year 2017. Of this amount, \$70,883 is reported as pension and postemployment benefits payable.

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

**NOTE 11 - 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](http://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.

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

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 \$2,458,808 for fiscal year 2017. Of this amount, \$405,296 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	0.18358850%	0.16766317%	
Proportion of the net pension liability current measurement date	<u>0.18242430%</u>	<u>0.16542193%</u>	
Change in proportionate share	<u>(0.00116420)%</u>	<u>(0.00224124)%</u>	
Proportionate share of the net pension liability	\$ 13,351,776	\$ 55,371,706	\$ 68,723,482
Pension expense	\$ 1,366,511	\$ 3,212,040	\$ 4,578,551

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 180,084	\$ 2,237,282	\$ 2,417,366
Net difference between projected and actual earnings on pension plan investments	1,101,330	4,597,341	5,698,671
Changes of assumptions	891,304		891,304
District contributions subsequent to the measurement date	<u>833,667</u>	<u>2,458,808</u>	<u>3,292,475</u>
Total deferred outflows of resources	<u>\$ 3,006,385</u>	<u>\$ 9,293,431</u>	<u>\$ 12,299,816</u>
<b>Deferred inflows of resources</b>			
Difference between District contributions and proportionate share of contributions/change in proportionate share	<u>\$ 45,287</u>	<u>\$ 1,909,218</u>	<u>\$ 1,954,505</u>

\$3,292,475 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 526,208	\$ 492,746	\$ 1,018,954
2019	525,415	492,745	1,018,160
2020	759,218	2,256,875	3,016,093
2021	<u>316,590</u>	<u>1,683,039</u>	<u>1,999,629</u>
Total	<u>\$ 2,127,431</u>	<u>\$ 4,925,405</u>	<u>\$ 7,052,836</u>

***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.

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**NOTE 11 - 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 17,676,919	\$ 13,351,776	\$ 9,731,451

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - 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>7.02 %</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.



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**NOTE 11 - 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	\$ 73,584,498	\$ 55,371,706	\$ 40,008,143

**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 12 - 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](http://www.ohsers.org) under Employers/Audit Resources.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - 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 \$98,945.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$98,945, \$90,266, and \$135,718, 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](http://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 fiscal years ended June 30, 2017, 2016 and 2015.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and Administrators earn ten to twenty days of vacation per year, depending upon length of service. Employees may accumulate and carry over up to two years vacation accumulation. At the time of separation, an employee is entitled to compensation at the current rate of pay for all unused vacation accrued for the immediately preceding two years in addition to the prorated portion of earned but unused vacation leave for the current year. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum accumulation. Upon retirement with a minimum of ten years of service with the District or employees who attain age 55 or retire through STRS or SERS payment is made for thirty-three percent of the employee's accumulated sick leave up to a maximum of 84 days for teachers and administrators and 81 days for classified staff.

**B. Life Insurance**

The District provides life insurance and accidental death insurance to most employees through American United Life Insurance Company with OneAmerica.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

**B. Litigation**

The District is not party to litigation that, in the opinion of management, would have a material effect on the financial condition of the District.

**C. Foundation Funding**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - 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. The statement of revenues, 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	\$ 2,859,126
Net adjustment for revenue accruals	581,856
Net adjustment for expenditure accruals	(479,426)
Net adjustment for other sources/uses	(4,502)
Funds budgeted elsewhere	166,067
Adjustment for encumbrances	<u>1,463,796</u>
GAAP basis	<u>\$ 4,586,917</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 rotary fund, public school support fund and the termination benefits fund.

**NOTE 16 - INTERFUND TRANSACTIONS**

- A. Interfund loans receivable/payable consisted of the following at June 30, 2017, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 308,397</u>

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**NOTE 16 - INTERFUND TRANSACTIONS – (Continued)**

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Transfers for the year ended June 30, 2017 consisted of the following as reported on the fund financial statements:

	Transfer In	Transfer Out
General fund	\$ -	\$ 1,001,798
Classroom facilities fund	27,531,521	-
Nonmajor governmental funds	1,001,798	27,531,521
Total	\$ 28,533,319	\$ 28,533,319

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer from the building fund (a nonmajor governmental fund) to the classroom facilities fund was made to move bonds proceeds for the District’s required local share contribution of the construction project with the OFCC to a specific fund (the classroom facilities fund) as required by the agreement between the District and the OFCC.

**NOTE 17 - 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.

**FAIRBORN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - SET-ASIDES - (Continued)**

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	721,677
Current year qualifying expenditures	<u>(1,078,137)</u>
Total	<u>\$ (356,460)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

The District issued school improvement general obligation bonds. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$55,194,763 at June 30, 2017.

**NOTE 18 - 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 (net of amounts already included in payables) in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$ 1,297,497
Classroom facilities	5,400,566
Nonmajor governmental	<u>252,854</u>
Total	<u>\$ 6,950,917</u>

**NOTE 19 - PERMANENT FUND BALANCE**

The District's permanent fund consists of many different donations established for a variety of purposes. The permanent fund includes donor-restricted endowment funds. Net position associated with the permanent fund are classified and reported based on the existence or absence of donor-imposed restrictions. Any additional School Board restrictions are reported in expendable net position under the permanent fund.

The District records the annual income of the permanent fund as expendable net position and appropriated for expenditure upon meeting other donor restrictions. The District reports the original and any future permanently restricted donor funds as nonexpendable net position that are used to generate interest income that is available for expenditure.

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTE 19 - PERMANENT FUND BALANCE - (Continued)**

The District has a spending policy with respect to expendable amounts available for distribution within the permanent fund. The District has typically expended less than the interest earned; however, all expendable funds could be distributed as long as the other donor restrictions have been satisfied.

**NOTE 20 - CONTRACTUAL COMMITMENTS**

As of June 30, 2017, the District has commitments with the following companies for the construction project.

	Contract Amount	Amount Paid as of June 30, 2017	Amount Remaining on Contract
SHP Leading Design	\$ 3,998,179	\$ -	\$ 3,998,179
Stan and Associates	151,371	-	151,371
Hill International	<u>1,429,011</u>	<u>-</u>	<u>1,429,011</u>
Total	<u>\$ 5,578,561</u>	<u>\$ -</u>	<u>\$ 5,578,561</u>

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable in the amount of \$92,478 for costs incurred prior to fiscal year end on the OFCC project. Costs incurred by fiscal year end (including contracts payable) have been recorded as construction-in-progress in the District's capital assets (see Note 8).

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REQUIRED SUPPLEMENTARY INFORMATION

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE 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	0.18242430%	0.18358850%	0.18390200%	0.18390200%
District's proportionate share of the net pension liability	\$ 13,351,776	\$ 10,475,738	\$ 9,307,176	\$ 10,936,062
District's covered payroll	\$ 5,785,543	\$ 5,526,973	\$ 5,343,838	\$ 6,656,228
District's proportionate share of the net pension liability as a percentage of its covered payroll	230.78%	189.54%	174.17%	164.30%
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.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE 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	0.16542193%	0.16766317%	0.17550355%	0.17550355%
District's proportionate share of the net pension liability	\$ 55,371,706	\$ 46,337,196	\$ 42,688,537	\$ 50,850,306
District's covered payroll	\$ 16,907,907	\$ 17,492,843	\$ 17,931,615	\$ 19,845,169
District's proportionate share of the net pension liability as a percentage of its covered payroll	327.49%	264.89%	238.06%	256.24%
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.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE 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	\$ 833,667	\$ 809,976	\$ 728,455	\$ 740,656
Contributions in relation to the contractually required contribution	<u>(833,667)</u>	<u>(809,976)</u>	<u>(728,455)</u>	<u>(740,656)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,954,764	\$ 5,785,543	\$ 5,526,973	\$ 5,343,838
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ 921,222	\$ 892,565	\$ 840,459	\$ 705,930	\$ 354,312	\$ 375,783
<u>(921,222)</u>	<u>(892,565)</u>	<u>(840,459)</u>	<u>(705,930)</u>	<u>(354,312)</u>	<u>(375,783)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,656,228	\$ 6,636,171	\$ 6,686,229	\$ 5,213,663	\$ 3,600,732	\$ 3,826,711
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE 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	\$ 2,458,808	\$ 2,367,107	\$ 2,448,998	\$ 2,331,110
Contributions in relation to the contractually required contribution	<u>(2,458,808)</u>	<u>(2,367,107)</u>	<u>(2,448,998)</u>	<u>(2,331,110)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,562,914	\$ 16,907,907	\$ 17,492,843	\$ 17,931,615
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ 2,579,872	\$ 2,717,821	\$ 2,910,882	\$ 2,850,150	\$ 2,666,605	\$ 2,603,873
<u>(2,579,872)</u>	<u>(2,717,821)</u>	<u>(2,910,882)</u>	<u>(2,850,150)</u>	<u>(2,666,605)</u>	<u>(2,603,873)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 19,845,169	\$ 20,906,315	\$ 22,391,400	\$ 21,924,231	\$ 20,512,346	\$ 20,029,792
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE 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 disable member 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.



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555		\$160,795
Cash Assistance			
School Breakfast Program	10.553	\$420,064	
National School Lunch Program	10.555	1,129,045	
National School Lunch Program - Incentive	10.555	28,274	
Total National School Lunch Program		<u>1,157,319</u>	
Total Child Nutrition Cluster		<u>1,577,383</u>	<u>160,795</u>
Total U.S. Department of Agriculture		<u>1,577,383</u>	<u>160,795</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<b><i>Direct Aid</i></b>			
ROTC	12.xxx	65,675	
Total U.S. Department of Defense		<u>65,675</u>	
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
Title I Grants to Local Educational Agencies	84.010	1,429,410	
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	914,780	
Special Education Preschool Grants	84.173	28,443	
Total Special Education Cluster (IDEA)		<u>943,223</u>	
Education for Homeless Children and Youth	84.196	4,910	
English Language Acquisition State Grants	84.365	9,913	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	203,887	
<b><i>Direct Aid</i></b>			
Impact Aid	84.041	113,564	
Total U.S. Department of Education		<u>2,704,907</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
Medicaid Cluster			
Medical Assistance Program	93.778	215,181	
Total U.S. Department of Health and Human Services		<u>215,181</u>	
Total Expenditures of Federal Awards		<u>\$4,563,146</u>	<u>\$160,795</u>

*The accompanying notes are an integral part of this schedule.*

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Fairborn City School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants and local funds. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE D - FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE E - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2016 to 2017 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$104,558
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	\$133,978
English Language Acquisition State Grants	84.365	\$999
Special Education Grants to States	84.027	\$18,345
Special Education Preschool Grants	84.173	\$13,881



# 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*

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

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, each major fund, and the aggregate remaining fund information of the Fairborn City School District, Greene County, (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 9, 2018.

### ***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 District's 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 9, 2018



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Fairborn City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Fairborn City School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Fairborn City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2018

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster:
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**FAIRBORN CITY SCHOOL DISTRICT**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 27, 2018**