



Dave Yost • Auditor of State



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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GREENE COUNTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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, the 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Fairborn City School District, Greene County, Ohio, as of June 30, 2016, and the respective changes in financial position 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.

***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 Federal Awards Expenditures 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 the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule 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 February 23, 2017, 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.

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

February 23, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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, 2016. 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 2016 are as follows:

- In total, net position of governmental activities increased \$6,508,231 which represents a 13.32% increase from 2015.
- General revenues accounted for \$44,199,030 in revenue or 83.44% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$8,773,185 or 16.56% of total revenues of \$52,972,215.
- The District had \$46,463,984 in expenses related to governmental activities; only \$8,773,185 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$44,199,030 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$46,267,285 in revenues and \$40,785,831 in expenditures. During fiscal year 2016, the general fund's fund balance increased \$5,481,454 from \$10,735,806 to \$16,217,260.

**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 is by far the most significant fund, and is the only governmental fund reported as a major fund.

**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 2016?" 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

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 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general 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 on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**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 2016 and 2015.

	Net Position - Governmental Activities	
	2016	2015
<b><u>Assets</u></b>		
Current and other assets	\$ 43,214,259	\$ 36,786,827
Capital assets, net	10,574,505	11,764,628
Total assets	53,788,764	48,551,455
<b><u>Deferred outflows of resources</u></b>		
Pension	5,472,223	3,667,637
Total deferred outflows	5,472,223	3,667,637
<b><u>Liabilities</u></b>		
Current liabilities	4,336,606	4,332,293
Long-term liabilities:		
Due within one year	1,377,932	1,552,301
Due in more than one year:		
Net pension liability	56,812,934	51,995,713
Other amounts	14,263,272	15,325,392
Total liabilities	76,790,744	73,205,699
<b><u>Deferred inflows of resources</u></b>		
Property taxes and PILOTS	18,748,180	18,113,491
Deferred gain on refunding	305,545	334,877
Pensions	5,751,384	9,408,122
Total deferred inflows	24,805,109	27,856,490
<b><u>Net Position</u></b>		
Net investment in capital assets	(2,104,264)	(1,985,698)
Restricted	3,308,836	2,745,402
Unrestricted (deficit)	(43,539,438)	(49,602,801)
Total net position (deficit)	\$ (42,334,866)	\$ (48,843,097)

The District has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

Under the new 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.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets plus deferred outflows of resources were less than liabilities plus deferred inflows of resources by \$42,334,866. At year-end, restricted net position was \$3,308,836.

At year-end, capital assets represented 19.66% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2016, was a deficit of \$2,104,264. 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 \$5,237,309. This increase is primarily the result of an increase in cash and investments as a result of current year operations. The District implemented cost cutting measures back in January 2014 which have reduced expenses so that revenues now exceed expenses in fiscal year 2015 and 2016. In addition, during fiscal year 2016, the District received approximately \$2.5 million more in State aid as in the form of economically disadvantaged aid and back claims for Medicaid.

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

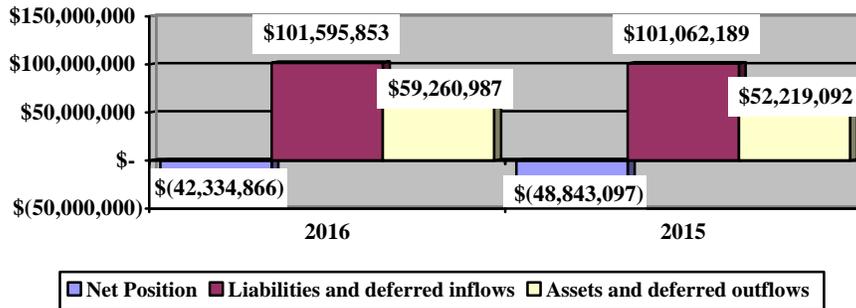
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

Liabilities of the District increased primarily due to an increase in the net pension liability. The net pension liability, coupled with related deferred inflows of resources and deferred outflows related to pensions, caused the District's net position to go from a positive balance to a deficit balance. During fiscal year 2016, long-term liabilities increased as a result of an increase in the net pension liability. Specific factors effecting the net pension liability include the District's contributions to the pension systems (STRS and SERS) subsequent to the measurement date of the liability, expected versus actual experience of the pension systems and projected versus actual earnings on pension plan investments. These factors are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to District employees, not the District.

The District's unrestricted net position was a deficit of \$43,539,438 at June 30, 2016.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016 and 2015.

**Governmental Activities**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

The table below shows the change in net position for fiscal years 2016 and 2015.

	Change in Net Position - Governmental Activities	
	2016	2015
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,193,717	\$ 1,271,714
Operating grants and contributions	7,579,468	6,583,459
General revenues:		
Property taxes and PILOTS	17,767,049	17,659,217
Income taxes	3,814,525	3,710,712
Grants and entitlements	22,146,093	19,260,745
Investment earnings	153,159	-
Miscellaneous	318,204	712,319
Total revenues	<u>52,972,215</u>	<u>49,198,166</u>
<b>Expenses</b>		
Program expenses:		
Instruction:		
Regular	15,955,675	15,686,540
Special	9,218,968	8,847,298
Other	3,607,359	3,482,117
Support services:		
Pupil	2,593,028	2,562,651
Instructional staff	1,077,018	870,299
Board of education	116,771	70,502
Administration	3,005,776	2,970,160
Fiscal	807,496	805,235
Business	269,419	320,615
Operations and maintenance	3,614,206	3,503,186
Pupil transportation	2,694,958	2,677,487
Central	559,402	466,167
Operation of non-instructional services	1,854,390	1,813,450
Extracurricular activities	841,833	702,610
Interest and fiscal charges	247,685	837,070
Total expenses	<u>46,463,984</u>	<u>45,615,387</u>
Change in net position	6,508,231	3,582,779
Net position (deficit) at beginning of year	<u>(48,843,097)</u>	<u>(52,425,876)</u>
Net position (deficit) at end of year	<u>\$ (42,334,866)</u>	<u>\$ (48,843,097)</u>

**Governmental Activities**

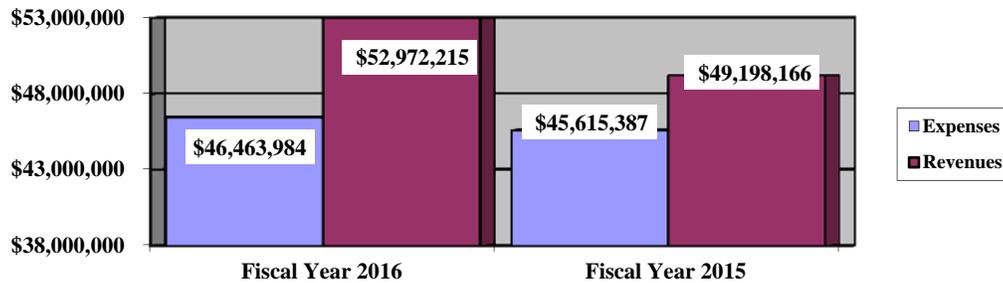
Net position of the District's governmental activities increased \$6,508,231. Total governmental expenses of \$46,463,984 were offset by program revenues of \$8,773,185 and general revenues of \$44,199,030. Program revenues supported 18.88% of the total governmental expenses.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 82.29% of total governmental revenue. Operating grants and contributions increased and miscellaneous revenue decreased primarily due to the reclassification of State of Ohio catastrophic aid which was reported as program revenues – operating grants and contributions in fiscal year 2016 and as miscellaneous revenue in fiscal year 2015. In addition, the District received approximately \$2.5 million more in State aid as in the form of economically disadvantaged aid and back claims for Medicaid which caused the increase in general revenues – grants and entitlements. 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 following table 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.

**Governmental Activities**

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
<b>Program expenses</b>				
Instruction:				
Regular	\$ 15,955,675	\$ 15,176,333	\$ 15,686,540	\$ 15,235,650
Special	9,218,968	4,452,318	8,847,298	4,136,864
Other	3,607,359	3,497,802	3,482,117	3,473,102
Support services:				
Pupil	2,593,028	2,537,874	2,562,651	2,517,293
Instructional staff	1,077,018	756,099	870,299	730,667
Board of education	116,771	116,771	70,502	70,502
Administration	3,005,776	2,695,975	2,970,160	2,729,270
Fiscal	807,496	807,496	805,235	805,235
Business	269,419	269,419	320,615	320,615
Operation and maintenance	3,614,206	3,596,242	3,503,186	3,467,234
Pupil transportation	2,694,958	2,555,617	2,677,487	2,550,249
Central	559,402	552,202	466,167	466,167
Operations of non-instructional services	1,854,390	(168,296)	1,813,450	(48,622)
Extracurricular activities	841,833	597,262	702,610	468,918
Interest and fiscal charges	247,685	247,685	837,070	837,070
<b>Total expenses</b>	<u>\$ 46,463,984</u>	<u>\$ 37,690,799</u>	<u>\$ 45,615,387</u>	<u>\$ 37,760,214</u>

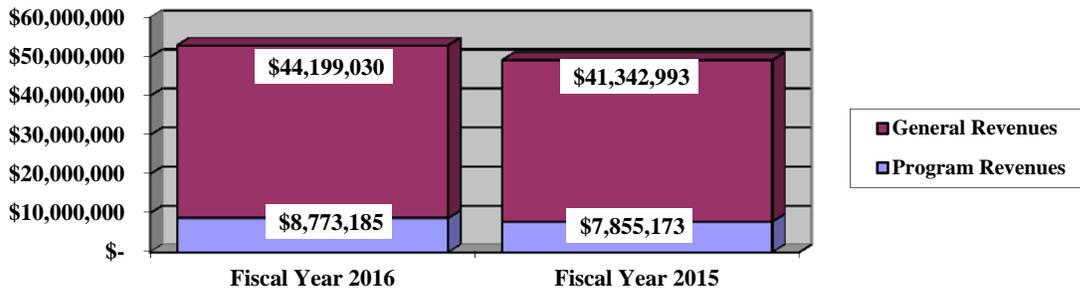
**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, 80.35% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.12%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

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

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the Balance Sheet on page 19) reported a combined fund balance of \$19,089,326, which is a higher balance than last year's total balance of \$13,436,477. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Change</u>
General	\$ 16,217,260	\$ 10,735,806	\$ 5,481,454
Other Governmental	2,872,066	2,700,671	171,395
<b>Total</b>	<u>\$ 19,089,326</u>	<u>\$ 13,436,477</u>	<u>\$ 5,652,849</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

***General Fund***

The District's general fund balance increased \$5,481,454. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 20,194,778	\$ 19,978,020	\$ 216,758	1.08 %
Payment in lieu of taxes	101,498	228,460	(126,962)	(55.57) %
Tuition	423,310	338,215	85,095	25.16 %
Earnings on investments	149,747	36,102	113,645	314.79 %
Extracurricular activities	104,363	109,050	(4,687)	(4.30) %
Intergovernmental	24,756,987	21,768,258	2,988,729	13.73 %
Other revenues	<u>536,602</u>	<u>976,035</u>	<u>(439,433)</u>	<u>(45.02) %</u>
Total	<u>\$ 46,267,285</u>	<u>\$ 43,434,140</u>	<u>\$ 2,833,145</u>	6.52 %
<b><u>Expenditures</u></b>				
Instruction	\$ 26,018,392	\$ 25,645,649	\$ 372,743	1.45 %
Support services	14,133,258	14,406,182	(272,924)	(1.89) %
Operation of non-instructional services	10,410	233	10,177	4,367.81 %
Extracurricular activities	<u>623,771</u>	<u>600,797</u>	<u>22,974</u>	3.82 %
Total	<u>\$ 40,785,831</u>	<u>\$ 40,652,861</u>	<u>\$ 132,970</u>	0.33 %

Revenues of the general fund increased \$2,833,145 or 6.52%. The most significant area of increase was intergovernmental. Intergovernmental revenues increased \$2,988,729 or 13.73% due to an approximate \$2.5 million increase related to economically disadvantaged aid and a large back claim for Medicaid. The decrease in other revenues is due to Catastrophic Aid from the State of Ohio which was reported as other revenue in fiscal year 2015 and as intergovernmental revenue in fiscal year 2016. This is also in part responsible for the increase in intergovernmental revenue in fiscal year 2016.

Expenditures of the general fund increased \$132,970 or 0.33%. Instruction expenditures increased primarily in the area of special education which increased \$456,693. Support services decreased primarily in the area of pupil transportation which decreased \$509,785. Operation of non-instructional services increased significantly percentage wise but the dollar amount increase is not significant.

***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 2016, the District amended its general fund budget numerous times. For the general fund, original and final budgeted revenues and other financing sources were \$44,902,762 and \$46,421,099 respectively. Actual revenues and other financing sources for fiscal year 2016 was \$46,462,731. This represents a \$41,632 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$44,188,354 were more than the final budgeted appropriations of \$42,477,936. The actual budget basis expenditures and other

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

financing uses for fiscal year 2016 totaled \$41,786,433, which was \$691,503 less than the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2016, the District had \$10,574,505 invested in land, land improvements, buildings and improvements, furniture, equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2016 balances compared to June 30, 2015:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2016</u>	<u>2015</u>
Land	\$ 299,675	\$ 299,675
Land improvements	1,803,777	2,163,409
Building and improvements	4,505,577	5,120,822
Furniture, equipment and vehicles	<u>3,965,476</u>	<u>4,180,722</u>
Total	<u>\$ 10,574,505</u>	<u>\$ 11,764,628</u>

Total additions to capital assets for 2016 were \$446,668. The District recorded \$1,636,791 in depreciation expense for fiscal year 2016.

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

*Debt Administration*

At June 30, 2016, the District had \$12,004,940 in general obligation bonds outstanding. Of this total, \$1,095,000 is due within one year and \$10,909,940 is due within more than one year. The following table summarizes the bonds outstanding.

<b>Outstanding Debt, at Year End</b>		
	<u>Governmental Activities 2016</u>	<u>Governmental Activities 2015</u>
General obligation bonds	<u>\$ 12,004,940</u>	<u>\$ 13,004,940</u>
Total	<u>\$ 12,004,940</u>	<u>\$ 13,004,940</u>

At June 30, 2016, the District's voted debt margin was \$42,847,703 with an unvoted debt margin of \$596,979.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**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, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 20,442,685
Receivables:	
Property taxes . . . . .	20,025,331
Income taxes. . . . .	1,360,894
Payment in lieu of taxes . . . . .	229,250
Accounts. . . . .	60,641
Accrued interest . . . . .	11,793
Intergovernmental . . . . .	978,071
Prepayments . . . . .	80,010
Materials and supplies inventory. . . . .	6,740
Inventory held for resale. . . . .	18,844
Capital assets:	
Nondepreciable capital assets . . . . .	299,675
Depreciable capital assets, net. . . . .	10,274,830
Capital assets, net . . . . .	<u>10,574,505</u>
Total assets. . . . .	<u>53,788,764</u>
<b>Deferred outflows of resources:</b>	
Pension - STRS . . . . .	4,493,268
Pension - SERS . . . . .	978,955
Total deferred outflows of resources . . . . .	<u>5,472,223</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	325,309
Accrued wages and benefits payable . . . . .	3,219,065
Intergovernmental payable . . . . .	252,456
Pension and postemployment benefits payable . . . . .	525,613
Accrued interest payable . . . . .	14,163
Long-term liabilities:	
Due within one year. . . . .	1,377,932
Due in more than one year:	
Net pension liability (See Note 11) . . . . .	56,812,934
Other amounts due in more than one year . . . . .	14,263,272
Total liabilities . . . . .	<u>76,790,744</u>
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	18,518,930
Payment in lieu of taxes levied for the next fiscal year . . . . .	229,250
Unamortized deferred gain on debt refunding . . . . .	305,545
Pension - STRS. . . . .	5,390,333
Pension - SERS. . . . .	361,051
Total deferred inflows of resources . . . . .	<u>24,805,109</u>
<b>Net position:</b>	
Net investment in capital assets . . . . .	(2,104,264)
Restricted for:	
Permanent fund - nonexpendable . . . . .	12,114
Debt service. . . . .	1,145,857
State funded programs. . . . .	4,341
Federally funded programs . . . . .	368,593
Student activities . . . . .	75,381
Other purposes . . . . .	1,702,550
Unrestricted (deficit) . . . . .	(43,539,438)
Total net position (deficit). . . . .	<u>\$ (42,334,866)</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, 2016

	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 . . . . .	\$ 15,955,675	\$ 413,522	\$ 365,820	\$ (15,176,333)
Special . . . . .	9,218,968	79,702	4,686,948	(4,452,318)
Other . . . . .	3,607,359	-	109,557	(3,497,802)
Support services:				
Pupil. . . . .	2,593,028	-	55,154	(2,537,874)
Instructional staff . . . . .	1,077,018	-	320,919	(756,099)
Board of education . . . . .	116,771	-	-	(116,771)
Administration. . . . .	3,005,776	129,093	180,708	(2,695,975)
Fiscal. . . . .	807,496	-	-	(807,496)
Business. . . . .	269,419	-	-	(269,419)
Operations and maintenance . . . . .	3,614,206	17,675	289	(3,596,242)
Pupil transportation. . . . .	2,694,958	6,093	133,248	(2,555,617)
Central . . . . .	559,402	-	7,200	(552,202)
Operation of non-instructional services:				
Food service operations . . . . .	1,806,473	303,061	1,665,339	161,927
Other non-instructional services . . . . .	47,917	-	54,286	6,369
Extracurricular activities. . . . .	841,833	244,571	-	(597,262)
Interest and fiscal charges . . . . .	247,685	-	-	(247,685)
<b>Total governmental activities . . . . .</b>	<b>\$ 46,463,984</b>	<b>\$ 1,193,717</b>	<b>\$ 7,579,468</b>	<b>(37,690,799)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				16,449,350
Debt service. . . . .				1,178,862
Payments in lieu of taxes. . . . .				138,837
Income taxes levied for:				
General purposes . . . . .				3,814,525
Grants and entitlements not restricted to specific programs . . . . .				22,146,093
Investment earnings . . . . .				153,159
Miscellaneous . . . . .				318,204
<b>Total general revenues . . . . .</b>				<b>44,199,030</b>
Change in net position . . . . .				6,508,231
<b>Net position (deficit) at beginning of year . . . . .</b>				<b>(48,843,097)</b>
<b>Net position (deficit) at end of year. . . . .</b>				<b>\$ (42,334,866)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 17,492,822	\$ 2,949,863	\$ 20,442,685
Receivables:			
Property taxes . . . . .	18,589,869	1,435,462	20,025,331
Income taxes . . . . .	1,360,894	-	1,360,894
Payment in lieu of taxes . . . . .	213,752	15,498	229,250
Accounts . . . . .	59,834	807	60,641
Accrued interest . . . . .	11,793	-	11,793
Interfund loans . . . . .	149,089	-	149,089
Intergovernmental . . . . .	208,031	770,040	978,071
Prepayments . . . . .	76,591	3,419	80,010
Materials and supplies inventory . . . . .	-	6,740	6,740
Inventory held for resale . . . . .	-	18,844	18,844
Total assets . . . . .	38,162,675	5,200,673	43,363,348
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 290,900	\$ 34,409	\$ 325,309
Accrued wages and benefits payable . . . . .	2,875,777	343,288	3,219,065
Compensated absences payable . . . . .	48,757	-	48,757
Intergovernmental payable . . . . .	248,139	4,317	252,456
Pension obligation payable . . . . .	455,292	70,321	525,613
Interfund loans payable . . . . .	-	149,089	149,089
Total liabilities . . . . .	3,918,865	601,424	4,520,289
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . .	17,186,060	1,332,870	18,518,930
Payment in lieu of taxes levied for the next fiscal year .	213,752	15,498	229,250
Delinquent property tax revenue not available . . .	489,869	35,462	525,331
Intergovernmental revenue not available . . . . .	-	343,353	343,353
Accrued interest not available . . . . .	10,924	-	10,924
Miscellaneous revenue not available . . . . .	125,945	-	125,945
Total deferred inflows of resources . . . . .	18,026,550	1,727,183	19,753,733
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	-	6,740	6,740
Prepays . . . . .	76,591	3,419	80,010
Endowments . . . . .	-	12,114	12,114
Restricted:			
Debt service . . . . .	-	1,124,558	1,124,558
Food service operations . . . . .	-	1,691,469	1,691,469
Non-public schools . . . . .	-	14,018	14,018
Special education . . . . .	-	672	672
Targeted academic assistance . . . . .	-	22,784	22,784
Other purposes . . . . .	-	9,189	9,189
Extracurricular . . . . .	-	75,381	75,381
Special trust . . . . .	-	4,180	4,180
Committed:			
Termination benefits . . . . .	397,710	-	397,710
Assigned:			
Student instruction . . . . .	126,801	-	126,801
Student and staff support . . . . .	512,419	-	512,419
Other purposes . . . . .	775	-	775
Unassigned (deficit) . . . . .	15,102,964	(92,458)	15,010,506
Total fund balances . . . . .	16,217,260	2,872,066	19,089,326
Total liabilities, deferred inflows and fund balances .	\$ 38,162,675	\$ 5,200,673	\$ 43,363,348

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, 2016

<b>Total governmental fund balances</b>		\$	19,089,326
<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.			10,574,505
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	\$	525,331	
Accrued interest receivable		10,924	
Intergovernmental receivable		469,298	
Total		1,005,553	1,005,553
Unamortized premiums on bonds issued are not recognized in the funds.			(673,829)
Unamortized deferred gains on debt refundings are not recognized in the funds.			(305,545)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(14,163)
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		5,472,223	
Deferred inflows - pension		(5,751,384)	
Net pension liability		(56,812,934)	
Total		(57,092,095)	(57,092,095)
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		(12,061,237)	
Compensated absences		(2,857,381)	
Total		(14,918,618)	(14,918,618)
<b>Net position of governmental activities</b>		\$	(42,334,866)

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, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 16,380,253	\$ 1,175,856	\$ 17,556,109
Income taxes. . . . .	3,814,525	-	3,814,525
Payment in lieu of taxes . . . . .	101,498	37,339	138,837
Tuition. . . . .	423,310	-	423,310
Transportation fees. . . . .	6,093	-	6,093
Earnings on investments . . . . .	149,747	1,815	151,562
Charges for services . . . . .	-	303,061	303,061
Extracurricular. . . . .	104,363	140,495	244,858
Classroom materials and fees . . . . .	65,828	8,254	74,082
Rental income . . . . .	12,735	-	12,735
Contributions and donations . . . . .	4,649	8,723	13,372
Contract services. . . . .	129,093	-	129,093
Other local revenues . . . . .	318,204	395	318,599
Intergovernmental - state . . . . .	24,595,042	470,843	25,065,885
Intergovernmental - federal . . . . .	161,945	4,160,633	4,322,578
Total revenues . . . . .	<u>46,267,285</u>	<u>6,307,414</u>	<u>52,574,699</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	15,400,855	310,841	15,711,696
Special . . . . .	7,085,247	2,079,829	9,165,076
Other . . . . .	3,532,290	-	3,532,290
Support services:			
Pupil . . . . .	2,478,962	63,086	2,542,048
Instructional staff . . . . .	677,024	253,418	930,442
Board of education . . . . .	114,626	-	114,626
Administration . . . . .	2,912,968	135,852	3,048,820
Fiscal . . . . .	778,448	9,566	788,014
Business. . . . .	265,469	-	265,469
Operations and maintenance . . . . .	3,623,048	5,500	3,628,548
Pupil transportation . . . . .	2,738,991	517	2,739,508
Central . . . . .	543,722	7,200	550,922
Operation of non-instructional services:			
Food service operations. . . . .	-	1,779,943	1,779,943
Other non-instructional services . . . . .	10,410	36,730	47,140
Extracurricular activities . . . . .	623,771	160,647	784,418
Debt service:			
Principal retirement. . . . .	-	1,000,000	1,000,000
Interest and fiscal charges . . . . .	-	292,890	292,890
Total expenditures . . . . .	<u>40,785,831</u>	<u>6,136,019</u>	<u>46,921,850</u>
Net change in fund balances . . . . .	5,481,454	171,395	5,652,849
<b>Fund balances at beginning of year. . . . .</b>	<u>10,735,806</u>	<u>2,700,671</u>	<u>13,436,477</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 16,217,260</u>	<u>\$ 2,872,066</u>	<u>\$ 19,089,326</u>

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, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	5,652,849
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 446,668	
Current year depreciation	(1,636,791)	
Total		(1,190,123)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	72,103	
Interest revenue	3,399	
Intergovernmental revenues	316,215	
Total		391,717
 Repayment of bond 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:		
		1,000,000
 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:		
Decrease in accrued interest payable	613	
Accreted interest on capital appreciation bonds	(56,297)	
Amortization of bond premiums	71,557	
Amortization of deferred charges	29,332	
Total		45,205
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		3,177,083
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,532,980)
 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.		
		(35,520)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>6,508,231</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, 2016

	<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 . . . . .	\$ 17,143,592	\$ 16,850,004	\$ 16,689,451	\$ (160,553)
Income taxes. . . . .	3,776,083	3,829,846	3,783,712	(46,134)
Payment in lieu of taxes. . . . .	104,041	102,437	101,498	(939)
Tuition. . . . .	293,514	456,824	423,435	(33,389)
Transportation fees. . . . .	10,096	10,021	4,779	(5,242)
Earnings on investments . . . . .	37,166	85,464	107,724	22,260
Extracurricular. . . . .	101,554	99,940	102,152	2,212
Classroom materials and fees . . . . .	120,394	89,299	69,340	(19,959)
Rental income . . . . .	25,264	25,056	13,110	(11,946)
Contract services. . . . .	127,600	125,557	129,288	3,731
Other local revenues . . . . .	562,931	463,844	469,018	5,174
Intergovernmental - state . . . . .	22,400,271	24,059,610	24,381,932	322,322
Intergovernmental - federal . . . . .	188,256	185,697	161,945	(23,752)
<b>Total revenues . . . . .</b>	<b>44,890,762</b>	<b>46,383,599</b>	<b>46,437,384</b>	<b>53,785</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	16,850,502	15,746,530	15,687,801	58,729
Special. . . . .	7,434,395	7,201,867	7,108,057	93,810
Other. . . . .	3,635,703	3,540,000	3,532,290	7,710
Support services:				
Pupil. . . . .	2,959,542	2,646,505	2,511,375	135,130
Instructional staff . . . . .	584,953	729,128	692,169	36,959
Board of education . . . . .	72,401	118,224	116,354	1,870
Administration. . . . .	3,065,399	3,050,706	2,938,095	112,611
Fiscal . . . . .	842,460	817,510	776,385	41,125
Business . . . . .	285,967	307,884	288,759	19,125
Operations and maintenance. . . . .	4,058,552	3,912,370	3,816,207	96,163
Pupil transportation . . . . .	2,885,950	2,827,690	2,795,486	32,204
Central. . . . .	484,953	598,387	574,073	24,314
Extracurricular activities. . . . .	677,577	631,135	599,382	31,753
<b>Total expenditures . . . . .</b>	<b>43,838,354</b>	<b>42,127,936</b>	<b>41,436,433</b>	<b>691,503</b>
Excess of revenues over (under) expenditures . . . . .	1,052,408	4,255,663	5,000,951	745,288
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	10,000	25,500	25,272	(228)
Transfers (out). . . . .	(350,000)	(350,000)	(350,000)	-
Sale of capital assets . . . . .	2,000	12,000	75	(11,925)
<b>Total other financing sources (uses) . . . . .</b>	<b>(338,000)</b>	<b>(312,500)</b>	<b>(324,653)</b>	<b>(12,153)</b>
Net change in fund balance . . . . .	714,408	3,943,163	4,676,298	733,135
<b>Fund balance at beginning of year . . . . .</b>	<b>10,695,615</b>	<b>10,695,615</b>	<b>10,695,615</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>974,928</b>	<b>974,928</b>	<b>974,928</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 12,384,951</b>	<b>\$ 15,613,706</b>	<b>\$ 16,346,841</b>	<b>\$ 733,135</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, 2016

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 19,873	\$ 133,173
Receivables:		
Accounts . . . . .	-	1,106
Total assets. . . . .	<u>19,873</u>	<u>\$ 134,279</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 1,932
Due to students. . . . .	-	132,347
Total liabilities . . . . .	<u>-</u>	<u>\$ 134,279</u>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	<u>19,873</u>	
Total net position. . . . .	<u>\$ 19,873</u>	

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, 2016

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 23
Gifts and contributions. . . . .	20,050
Total additions. . . . .	20,073
 <b>Deductions:</b>	
Scholarships awarded . . . . .	200
 Change in net position . . . . .	19,873
<b>Net position at beginning of year. . . . .</b>	-
<b>Net position at end of year . . . . .</b>	\$ 19,873

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, 2016**

**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 its charge and further mandated by state and/or federal agencies.

The Board of Education controls the District’s five instructional/support facilities staffed by 203 non-certified, 283 certified employees to provide services to approximately 4,293 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, 2016**

**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 a five jointly governed organizations, one related organization, and one public entity risk pool. 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. The District paid \$1,958 to SOEPC for the year ended June 30, 2016. 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, 2016**

**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 \$7,062 to SOITA for the year ended June 30, 2016. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1205 E. Fifth Street, Dayton, OH 45402.

Green 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 2016, the District paid Meta Solutions \$126,412 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, 2016**

**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 Linda Hoch, Treasurer, Fairborn Digital Academy Community School, 700 Black Lane, Fairborn, Ohio 45324.

*PUBLIC ENTITY RISK POOL*

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The District was a member of the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (the "SOEPC GRP"). The cooperative council contracts with Hunter Consulting, Inc. as the Third Party Administrator (TPA) and Comp Management as MCO to provide an insurance purchasing pool for workers' compensation. The District is penalty rated due to a large number of claims and therefore does not receive the low rate. The District withdrew from the SOEPC GRP on December 31, 2015. 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.

**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, 2016**

**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.

The other governmental funds of the District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

*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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

*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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

*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 inflows 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, 2016, but which were levied to finance fiscal year 2017 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.

*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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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 June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. 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.

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 2016, investments were limited to 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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

During fiscal year 2016, 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 2016, 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 2016 amounted to \$149,747 which includes \$22,524 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.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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 fair market values as of the date received. 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>
Buildings and improvements	20 - 40 years
Land improvements	15 - 20 years
Furniture, equipment and vehicles	5 - 20 years

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy.

The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for employees after ten years of service or at age fifty-five or upon retirement from STRS or SERS.

Expenditures or liabilities related to compensated absences are reported in governmental funds only if they are due for payment as matured leave payable. The entire liability is reported on the government-wide statement of net position.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**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.

**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. 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.

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

*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.

**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 \$3,308,836 in restricted net position, none were 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 inflow of resources.

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**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.

**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. 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 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 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, 2016**

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

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public School Preschool	\$ 16,877
Miscellaneous State Grants	6,942
IDEA Part B	63,445
Improving Teacher Quality	<u>3,565</u>
Total	<u>\$ 90,829</u>

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

**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.

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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.

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**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".

**B. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$5,458,079. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$2,053,898 of the District's bank balance of \$5,632,599 was exposed to custodial risk as discussed below, while \$3,578,701 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, 2016, the District had the following investment and maturity:

Measurement/ Investment type	Measurement Amount	6 months or less	Investment Maturities		
			7 to 12 months	13 to 18 months	Greater Than 24 months
Fair Value:					
FNMA	\$ 1,000,120	\$ -	\$ -	\$ -	\$ 1,000,120
Negotiable CD's	2,538,890	501,173	250,483	251,108	1,536,126
U.S. Government Money Market Mutual Funds	87,905	87,905	-	-	-
Amortized Cost:					
STAR Ohio	<u>11,510,087</u>	<u>11,510,087</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 15,137,002</u></b>	<b><u>\$ 12,099,165</u></b>	<b><u>\$ 250,483</u></b>	<b><u>\$ 251,108</u></b>	<b><u>\$ 2,536,246</u></b>

The weighted average maturity of investments is 0.60 years. The District's investments in federal agency securities, negotiable certificates of deposit, commercial paper and U.S. Treasury notes are valued using quoted market prices (Level 1 inputs).

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 fully covered 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 FNMA 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, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 1,000,120	6.61
Negotiable CD's	2,538,890	16.77
U.S. Government Money Market Mutual Funds	87,905	0.58
STAR Ohio	<u>11,510,087</u>	<u>76.04</u>
Total	<u>\$ 15,137,002</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Activities**

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, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,458,079
Investments	15,137,002
Cash on hand	<u>650</u>
Total	<u>\$ 20,595,731</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 20,442,685
Private-Purpose trust	19,873
Agency funds	<u>133,173</u>
Total	<u>\$ 20,595,731</u>

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2016 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	\$ 20,025,331
Income taxes	1,360,894
Payment in lieu of taxes	229,250
Accounts	60,641
Accrued interest	11,793
Intergovernmental	<u>978,071</u>
Total	<u>\$ 22,665,980</u>

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

**NOTE 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.

**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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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.

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The District receives property taxes from Greene, Montgomery and Clark Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$913,940 in the general fund and \$67,130 in the debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$1,223,138 in the general fund and \$94,781 in the debt service fund (a nonmajor governmental 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, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 576,450,780	96.77	\$ 577,102,760	96.67
Public utility personal	<u>19,251,570</u>	<u>3.23</u>	<u>19,875,960</u>	<u>3.33</u>
Total	<u>\$ 595,702,350</u>	<u>100.00</u>	<u>\$ 596,978,720</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 52.65		\$ 52.65	

**FAIRBORN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 - CAPITAL ASSETS**

The following capital asset activity occurred during fiscal year 2016:

<b>Governmental activities:</b>	Balance <u>06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/16</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 299,675	\$ -	\$ -	\$ 299,675
Total capital assets, not being depreciated	<u>299,675</u>	<u>-</u>	<u>-</u>	<u>299,675</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	8,036,249	-	-	8,036,249
Building and improvements	27,013,779	-	-	27,013,779
Furniture, equipment and vehicles	10,955,469	446,668	(74,375)	11,327,762
Total capital assets, being depreciated	<u>46,005,497</u>	<u>446,668</u>	<u>(74,375)</u>	<u>46,377,790</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(5,872,840)	(359,632)	-	(6,232,472)
Building and improvements	(21,892,957)	(615,245)	-	(22,508,202)
Furniture, equipment and vehicles	(6,774,747)	(661,914)	74,375	(7,362,286)
Total accumulated depreciation	<u>(34,540,544)</u>	<u>(1,636,791)</u>	<u>74,375</u>	<u>(36,102,960)</u>
Governmental activities capital assets, net	<u>\$ 11,764,628</u>	<u>\$ (1,190,123)</u>	<u>\$ -</u>	<u>\$ 10,574,505</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 523,429
Special	197,025
Other	74,758
<u>Support service:</u>	
Pupil	55,773
Instructional staff	139,005
Board of education	2,401
Administration	68,868
Fiscal	16,397
Business	5,581
Operations and maintenance	103,846
Pupil transportation	314,785
Central	11,478
<u>Operation of non-instructional services:</u>	
Food service operations	67,324
Other non-instructional services	1,169
Extracurricular activities	<u>54,952</u>
Total depreciation expense	<u>\$ 1,636,791</u>

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 9 - LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during the year consist of the following:

<u><b>Governmental Activities:</b></u>	<u>Balance</u> <u>06/30/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/16</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<u><b>General Obligation Bonds</b></u>					
Series 2006 refunding bonds					
Current interest bonds, 4-5.25%	\$ 835,000	\$ -	\$ (835,000)	\$ -	\$ -
Series 2015 refunding bonds					
Current interest bonds, 0.75 - 3.5%	12,000,000	-	(165,000)	11,835,000	1,095,000
Capital appreciation bonds	169,940	-	-	169,940	-
Accreted interest	-	56,297	-	56,297	-
Unamortized premium	<u>745,386</u>	<u>-</u>	<u>(71,557)</u>	<u>673,829</u>	<u>-</u>
Total general obligation bonds	<u>13,750,326</u>	<u>56,297</u>	<u>(1,071,557)</u>	<u>12,735,066</u>	<u>1,095,000</u>
Net pension liability:					
STRS	-	-	-	-	-
STRS	42,688,537	3,648,659	-	46,337,196	-
SERS	<u>9,307,176</u>	<u>1,168,562</u>	<u>-</u>	<u>10,475,738</u>	<u>-</u>
Total net pension liability	<u>51,995,713</u>	<u>4,817,221</u>	<u>-</u>	<u>56,812,934</u>	<u>-</u>
Compensated Absences	<u>3,127,367</u>	<u>420,728</u>	<u>(641,957)</u>	<u>2,906,138</u>	<u>282,932</u>
Total Long-Term Obligations	<u>\$ 68,873,406</u>	<u>\$ 5,294,246</u>	<u>\$ (1,713,514)</u>	<u>\$ 72,454,138</u>	<u>\$ 1,377,932</u>

**General Obligation Bonds**

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

Series 2006 Refunding General Obligation Bonds

On May 1, 2006, the District issued general obligation bonds (Series 2006 refunding bonds) to advance refund the callable of the Series 2000 school improvement bonds that were issued on August 1, 2000. The Series 2000 school improvement bonds are considered defeased (in-substance) and accordingly, has been removed from the statement of net position. On June 17, 2015, \$12,170,000 of the Series 2006 refunding bonds were advance refunded with the issuance of the Series 2015 refunding bonds (see below). The remaining portion of the Series 2006 refunding bonds there were not refunded total \$835,000. These bonds matured on December 1, 2015.

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, 2016, is \$12,004,940.

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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 \$56,297 has been included in the statement of net position at June 30, 2016.

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 annual requirements to amortize all debt outstanding as of June 30, 2016 are as follows:

Fiscal Year Ending June 30.	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 1,095,000	\$ 282,154	\$ 1,377,154	\$ -	\$ -	\$ -
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 - 2026	4,930,000	699,989	5,629,989	169,940	1,005,060	1,175,000
2027 - 2028	1,330,000	23,275	1,353,275	-	-	-
Total	<u>\$ 11,835,000</u>	<u>\$ 1,979,083</u>	<u>\$ 13,814,083</u>	<u>\$ 169,940</u>	<u>\$ 1,005,060</u>	<u>\$ 1,175,000</u>

**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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**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 use 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, 2016, are a voted debt margin of \$42,847,703 (including available funds of \$1,124,558), and an unvoted debt margin of \$596,979.

**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 2016, 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**

For the period July 1, 2015 to December 31, 2015, the District was a member of the SOEPC Workers' Compensation Group Rating Plan. The cooperative council contracted with Hunter Consulting, Inc. as the Third Party Administrator (TPA) and Comp Management as MCO to provide an insurance purchasing pool for workers' compensation.

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

Effective January 1, 2016, the District began participation 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.

**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.

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

***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.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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, 2016, 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 \$809,976 for fiscal year 2016. Of this amount, \$61,223 is reported as pension and postemployment benefits payable.

***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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,367,107 for fiscal year 2016. Of this amount, \$374,124 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, 2015, 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:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 10,475,738	\$ 46,337,196	\$ 56,812,934
Proportion of the net pension liability	0.18358850%	0.16766317%	
Pension expense	\$ 657,722	\$ 1,875,258	\$ 2,532,980

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

At June 30, 2016, 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	\$ 168,979	\$ 2,126,161	\$ 2,295,140
District contributions subsequent to the measurement date	<u>809,976</u>	<u>2,367,107</u>	<u>3,177,083</u>
Total deferred outflows of resources	<u>\$ 978,955</u>	<u>\$ 4,493,268</u>	<u>\$ 5,472,223</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 349,027	\$ 3,597,130	\$ 3,946,157
Changes in proportionate share	<u>12,024</u>	<u>1,793,203</u>	<u>1,805,227</u>
Total deferred inflows of resources	<u>\$ 361,051</u>	<u>\$ 5,390,333</u>	<u>\$ 5,751,384</u>

\$3,177,083 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, 2017. 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:			
2017	\$ (130,700)	\$ (1,283,953)	\$ (1,414,653)
2018	(130,700)	(1,283,953)	(1,414,653)
2019	(130,703)	(1,283,956)	(1,414,659)
2020	<u>200,031</u>	<u>587,690</u>	<u>787,721</u>
Total	<u>\$ (192,072)</u>	<u>\$ (3,264,172)</u>	<u>\$ (3,456,244)</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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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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 averaged 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. 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 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. 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 (7.75 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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 14,526,084	\$ 10,475,738	\$ 7,065,012

**Changes Between Measurement Date and Report Date** - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, 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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

**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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 64,365,861	\$ 46,337,196	\$ 31,091,271

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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.

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 2016, 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 2016, this amount was \$23,000. 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 2016, the District's surcharge obligation was \$90,266.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$90,266, \$135,718, and \$9,033, respectively. The fiscal year 2016 amount has been recorded as pension obligation payable at June 30, 2016. The full amount has been contributed for fiscal years 2015 and 2014.

**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.

**FAIRBORN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$181,775, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave amounts 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, 2016.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 14 – CONTINGENCIES - (Continued)**

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 4,676,298
Net adjustment for revenue accruals	(224,923)
Net adjustment for expenditure accruals	89,290
Net adjustment for other sources/uses	(25,347)
Funds budgeted elsewhere	226,137
Adjustment for encumbrances	739,999
GAAP basis	<u>\$ 5,481,454</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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**

Interfund loans receivable/payable consisted of the following at June 30, 2016, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	<u>\$ 149,089</u>

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.

**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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	717,797
Current year qualifying expenditures	<u>(1,129,204)</u>
Total	<u>\$ (411,407)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

In prior fiscal years, 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 \$21,458,372 at June 30, 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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	\$ 600,168
Nonmajor governmental	<u>136,901</u>
Total	<u>\$ 737,069</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.

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 - SIGNIFICANT SUBSEQUENT EVENTS**

Effective August 1, 2016, Mr. Mark North became Superintendent of the District.

On November 8, 2016, the voters of the District approved a \$24,631,391 (par amount) bond issue for the purpose of paying a portion of the local share of school construction under the State of Ohio Classroom Facilities Assistance Program and other improvements, including locally funded initiatives. The bonds will be issued on February 22, 2017 and they will mature on December 1, 2053.

On November 8, 2016, the voters of the District approved a 0.25 mill Permanent Improvement Levy to fund the maintenance requirement for segment one of the Ohio Classroom Facilities Assistance Program project. Collections on the levy begin in calendar year 2017. The levy is for a 23 year period.

On December 21, 2016, the District issued \$9,900,000 (par amount) of bond anticipation notes (BANs) to begin school construction under the State of Ohio Classroom Facilities Assistance Program and other improvements. The BANs will be retired through the issuance of bonds. The BANs have a scheduled maturity date of May 18, 2017.

**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 THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.18358850%	0.18390200%	0.18390200%
District's proportionate share of the net pension liability	\$ 10,475,738	\$ 9,307,176	\$ 10,936,062
District's covered-employee payroll	\$ 5,526,973	\$ 5,343,838	\$ 6,656,228
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	164.30%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**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 THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.16766317%	0.17550355%	0.17550355%
District's proportionate share of the net pension liability	\$ 46,337,196	\$ 42,688,537	\$ 50,850,306
District's covered-employee payroll	\$ 17,492,843	\$ 17,931,615	\$ 19,845,169
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	256.24%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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**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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 809,976	\$ 728,455	\$ 740,656	\$ 921,222	\$ 892,565
Contributions in relation to the contractually required contribution	<u>(809,976)</u>	<u>(728,455)</u>	<u>(740,656)</u>	<u>(921,222)</u>	<u>(892,565)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 5,785,543	\$ 5,526,973	\$ 5,343,838	\$ 6,656,228	\$ 6,636,171
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 840,459	\$ 705,930	\$ 354,312	\$ 375,783	\$ 440,038
<u>(840,459)</u>	<u>(705,930)</u>	<u>(354,312)</u>	<u>(375,783)</u>	<u>(440,038)</u>
<u>\$ -</u>				
\$ 6,686,229	\$ 5,213,663	\$ 3,600,732	\$ 3,826,711	\$ 4,120,206
12.57%	13.54%	9.84%	9.82%	10.68%

**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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,367,107	\$ 2,448,998	\$ 2,331,110	\$ 2,579,872	\$ 2,717,821
Contributions in relation to the contractually required contribution	<u>(2,367,107)</u>	<u>(2,448,998)</u>	<u>(2,331,110)</u>	<u>(2,579,872)</u>	<u>(2,717,821)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 16,907,907	\$ 17,492,843	\$ 17,931,615	\$ 19,845,169	\$ 20,906,315
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 2,910,882	\$ 2,850,150	\$ 2,666,605	\$ 2,603,873	\$ 2,560,062
<u>(2,910,882)</u>	<u>(2,850,150)</u>	<u>(2,666,605)</u>	<u>(2,603,873)</u>	<u>(2,560,062)</u>
<u>\$ -</u>				
\$ 22,391,400	\$ 21,924,231	\$ 20,512,346	\$ 20,029,792	\$ 19,692,785
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, 2016

*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 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014, 2015, and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*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 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555		\$134,097
Cash Assistance			
School Breakfast Program	10.553	\$406,276	
National School Lunch Program	10.555	1,068,989	
National School Lunch Program - Incentive	10.555	27,550	
Total National School Lunch Program		<u>1,096,539</u>	
Total Child Nutrition Cluster		<u>1,502,815</u>	<u>134,097</u>
Total U.S. Department of Agriculture		<u>1,502,815</u>	<u>134,097</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<i>Direct Aid</i>			
ROTC	12.xxx	67,120	
Total U.S. Department of Defense		<u>67,120</u>	
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	1,279,465	
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	1,013,009	
Special Education Preschool Grants	84.173	24,487	
Total Special Education Cluster (IDEA)		<u>1,037,496</u>	
Education for Homeless Children and Youth	84.196	14,899	
English Language Acquisition State Grants	84.365	18,219	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	265,680	
<i>Direct Aid</i>			
Impact Aid	84.041	103,974	
Total U.S. Department of Education		<u>2,719,733</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Medicaid</i>			
Medical Assistance Program	93.778	201,619	
Total U.S. Department of Health and Human Services		<u>201,619</u>	
<b>Total Federal Awards Expenditures</b>		<u><b>\$4,491,287</b></u>	<u><b>\$134,097</b></u>

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

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Fairborn City School District (the District's) under programs of the federal government for the fiscal year ended June 30, 2016. 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, changes in net position, or cash flows 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. 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 2015 to 2016 programs:

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS (Continued)**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred</u>
Title I Grants to Local Educational Agencies Supporting Effective Instruction State Grant (Formerly Improving Teacher Quality State Grants)	84.010	\$131,735
English Language Acquisition State Grants	84.367	202,837
Special Education Grants to States	84.365	500
Special Education Preschool Grants	84.027	37,836
	84.173	\$2,015

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# 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, the 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 23, 2017.

### ***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 communication 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

February 23, 2017



# 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 the 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 the Fairborn City School District's major federal program for the year ended June 30, 2016. 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 program.

### ***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, the 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, 2016.

***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

February 23, 2017

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Child Nutrition Cluster: School Breakfast Program (CFDA 10.553) National School Lunch Program (CFDA #10.555)
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	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 14, 2017**