



Dave Yost • Auditor of State



**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

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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, 2014, 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, 2014, 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*, 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 Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 March 4, 2015 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

March 4, 2015

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**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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The discussion and analysis of 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, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

### **Financial Highlights**

Key financial highlights for 2014 are as follows:

- Net position of governmental activities increased \$3,643,773 from 2013.
- General revenues accounted for \$41,824,218 in revenue or 84.2% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$7,826,519 or 15.8% of total revenues of \$49,650,737.
- The District had \$46,006,964 in expenses related to governmental activities; \$7,826,519 of these expenses were offset by program specific charges for services, operating grants and contributions. General revenues of \$41,824,218 were also used to provide for these programs.

### **Overview of the 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. The General Fund is the only major fund of the District.

### **Government-wide Financial Statements**

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 2014?" The Government-wide Financial Statements answer this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the District's *net position* and *change in net position*. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. 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 Government-wide Financial Statements, overall financial position of the District is presented in the following manner:

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). 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.

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

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**The District as a Whole**

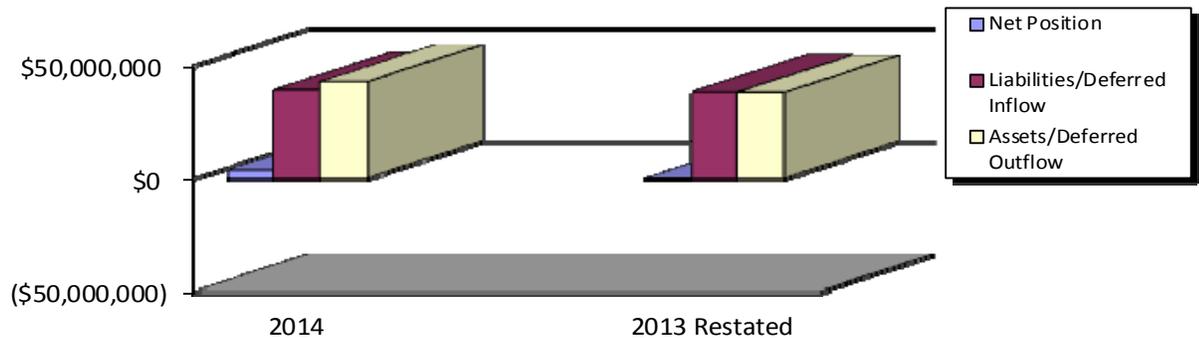
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

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**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**Table 1  
Net Position**

	Governmental Activities	
	2014	2013 Restated
<b>Assets:</b>		
Current and Other Assets	\$33,265,383	\$26,883,612
Capital Assets	9,773,495	11,090,051
<b>Total Assets</b>	<b>43,038,878</b>	<b>37,973,663</b>
<b>Liabilities:</b>		
Other Liabilities	3,987,828	4,124,085
Long-Term Liabilities	18,274,059	18,892,829
<b>Total Liabilities</b>	<b>22,261,887</b>	<b>23,016,914</b>
<b>Total Deferred Inflows of Resources</b>	<b>17,277,478</b>	<b>15,101,009</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	(4,249,152)	(3,246,698)
Restricted	2,997,314	2,890,844
Unrestricted	4,751,351	211,594
<b>Total Net Position</b>	<b>\$3,499,513</b>	<b>(\$144,260)</b>



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$3,499,513.

At year-end, capital assets represented 23% 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, 2014, was \$(4,249,152). 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.

A portion of the District's net position, \$2,997,314 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

Current and Other Assets increased mainly due to an increase in taxes receivable, which is mainly due to increases in property tax collections. Capital Assets decreased mainly due to depreciation expense exceeding additions during the current fiscal year. Long term liabilities decreased mainly due to principal and interest payments being made on long term debt during the current fiscal year.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

**Table 2  
Changes in Net Position**

	Governmental Activities	
	2014	2013 Restated
Revenues:		
Program Revenues		
Charges for Services and Sales	\$1,435,334	\$1,586,259
Operating Grants and Contributions	6,391,185	5,776,242
General Revenues:		
Income Taxes	2,336,769	3,520,676
Property Taxes	19,235,717	17,625,867
Grants and Entitlements not Restricted for Specific Programs	19,033,850	18,167,061
Other	1,217,882	736,606
Total Revenues	<u>49,650,737</u>	<u>47,412,711</u>
Program Expenses:		
Instruction	28,949,614	28,784,202
Support Services:		
Pupil and Instructional Staff	3,302,976	4,735,965
School Administration, General		
Administration, Fiscal and Business	3,976,051	4,180,488
Operations and Maintenance	3,427,869	3,565,573
Pupil Transportation	2,467,642	2,643,613
Central	429,785	381,502
Operation of Non-Instructional Services	1,779,522	2,005,027
Extracurricular Activities	715,775	668,171
Interest and Fiscal Charges	957,730	899,871
Total Program Expenses	<u>46,006,964</u>	<u>47,864,412</u>
Change in Net Position	3,643,773	(451,701)
Net Position - Beginning of Year	<u>(\$144,260)</u>	<u>\$307,441</u>
Net Position - End of Year	<u><u>\$3,499,513</u></u>	<u><u>(\$144,260)</u></u>

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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The District revenues came from mainly two sources. Property taxes levied for general and debt service purposes, as well as grants and entitlements comprised 77% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

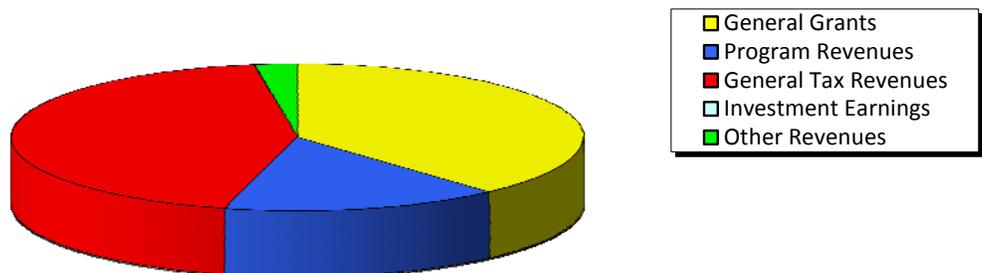
Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Taxes made up 43% of governmental activities revenues for the District in fiscal year 2014. The District's reliance upon tax revenues is demonstrated in the following graph:

**Governmental Activities  
Revenue Sources**

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Revenue Sources	2014	Percentage
General Grants	\$19,033,850	38.34%
Program Revenues	7,826,519	15.76%
General Tax Revenues	21,572,486	43.45%
Investment Earnings	26,303	0.05%
Other Revenues	1,191,579	2.40%
Total	\$49,650,737	100.00%



Instruction comprises 62.92% of governmental program expenses. Support services expenses were 29.57% of governmental program expenses. All other expenses including interest expense were 7.51%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Grants and Entitlements increased mainly due to an increase in grant monies received. Total Expenses decreased due to the District's efforts to cut costs throughout the District.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements.

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$28,949,614	\$28,784,202	(\$23,766,850)	(\$24,477,355)
Support Services:				
Pupil and Instructional Staff	3,302,976	4,735,965	(2,977,039)	(4,128,823)
School Administrative, General Administration, Fiscal and Business	3,976,051	4,180,488	(3,830,507)	(4,060,769)
Operations and Maintenance	3,427,869	3,565,573	(3,409,756)	(3,560,371)
Pupil Transportation	2,467,642	2,643,613	(2,343,001)	(2,505,139)
Central	429,785	381,502	(415,385)	(374,302)
Operation of Non-Instructional Services	1,779,522	2,005,027	(17,415)	(90,213)
Extracurricular Activities	715,775	668,171	(462,762)	(405,068)
Interest and Fiscal Charges	957,730	899,871	(957,730)	(899,871)
<b>Total Expenses</b>	<b>\$46,006,964</b>	<b>\$47,864,412</b>	<b>(\$38,180,445)</b>	<b>(\$40,501,911)</b>

**The District's Funds**

The District has one major governmental fund: the General Fund. Assets of the General fund comprised \$28,365,068 (85%) of the total \$33,326,967 governmental funds assets.

**General Fund:** Fund balance at June 30, 2014 was \$7,954,527. The fund balance increase of \$4,126,403 from 2013 was primarily due to an increase in intergovernmental revenue and the District's efforts to reduce expenditures.

**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 2014, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis estimated revenue was \$42,903,894 compared to original budget estimates of \$39,863,637. The difference was mainly due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated actual fund balance for the General Fund was \$6,263,286.

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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**Capital Assets and Debt Administration**

**Capital Assets**

At fiscal year end, the District had \$9,773,495 invested in land, land improvements, buildings and improvements, and furniture, equipment and vehicles. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

**Table 4  
Capital Assets at Year End  
(Net of Depreciation)**

---

	Governmental Activities	
	2014	2013
Land	\$299,675	\$299,675
Land Improvements	2,341,670	2,684,038
Buildings and Improvements	6,234,180	6,934,357
Furniture, Equipment and Vehicles	897,970	1,171,981
Total Net Capital Assets	<u>\$9,773,495</u>	<u>\$11,090,051</u>

Net Capital Assets decreased mainly due to current year depreciation expense exceeded current year capital asset additions.

See Note 8 to the basic financial statements for further details on the District's capital assets.

**Debt**

At fiscal year end, the District had \$14,677,900 in bonds payable, \$41,011 due within one year. Table 5 summarizes bonds outstanding at year end.

**Table 5  
Outstanding Debt at Year End**

---

	Governmental Activities	
	2014	2013
Governmental Activities:		
General Improvement Refunded Bonds:		
Current Interest Bonds	\$ 13,005,000	\$ 13,005,000
Capital Appreciation Bonds	41,011	99,987
Accreted Interest	655,253	1,094,724
Premium on Bonds	976,636	1,051,762
Energy Conservation Improvement Bonds	0	180,000
Total General Obligation Bonds	<u>\$14,677,900</u>	<u>\$15,431,473</u>

See Note 12 to the basic financial statements for further details on the District's long-term obligations.

**Fairborn City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)**

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**For the Future**

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  
Statement of Net Position  
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$10,900,361
Receivables:	
Taxes	20,683,676
Accounts	169,475
Interest	1,327
Intergovernmental	1,489,058
Inventory	21,486
Nondepreciable Capital Assets	299,675
Depreciable Capital Assets, Net	9,473,820
<b>Total Assets</b>	<b>43,038,878</b>
Liabilities:	
Accounts Payable	424,474
Accrued Wages and Benefits	3,512,101
Accrued Interest Payable	51,253
Long-Term Liabilities:	
Due Within One Year	476,851
Due In More Than One Year	17,797,208
<b>Total Liabilities</b>	<b>22,261,887</b>
Deferred Inflows of Resources:	
Property Taxes	17,050,616
Grants and Other Taxes	226,862
<b>Total Deferred Inflows of Resources</b>	<b>17,277,478</b>
Net Position:	
Net Investment in Capital Assets	(4,249,152)
Restricted for:	
Debt Service	1,071,973
State Grants	13,270
Federal Grants	401,533
Food Service	1,362,836
District Managed Activities	68,536
Auxiliary Services	41,105
Permanent Nonexpendable	32,222
Other Purposes	5,839
Unrestricted	4,751,351
<b>Total Net Position</b>	<b>\$3,499,513</b>

See accompanying notes to the basic financial statements.

Fairborn City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2014

	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>				
<b>Instruction:</b>				
Regular	\$16,956,807	\$402,811	\$490,640	(\$16,063,356)
Special	8,856,853	359,420	3,790,852	(4,706,581)
Vocational	0	0	68,867	68,867
Other	3,135,954	0	70,174	(3,065,780)
<b>Support Services:</b>				
Pupil	2,680,853	0	71,882	(2,608,971)
Instructional Staff	622,123	0	254,055	(368,068)
General Administration	61,264	0	0	(61,264)
School Administration	2,902,535	0	145,544	(2,756,991)
Fiscal	712,071	0	0	(712,071)
Business	300,181	0	0	(300,181)
Operations and Maintenance	3,427,869	18,113	0	(3,409,756)
Pupil Transportation	2,467,642	0	124,641	(2,343,001)
Central	429,785	0	14,400	(415,385)
Operation of Non-Instructional Services	1,779,522	401,977	1,360,130	(17,415)
Extracurricular Activities	715,775	253,013	0	(462,762)
Interest and Fiscal Charges	957,730	0	0	(957,730)
<b>Total Governmental Activities</b>	<b>\$46,006,964</b>	<b>\$1,435,334</b>	<b>\$6,391,185</b>	<b>(38,180,445)</b>
<b>General Revenues:</b>				
				2,336,769
				17,896,482
				1,339,235
				19,033,850
				211,926
				1,000
				26,303
				978,653
<b>Total General Revenues</b>				<b>41,824,218</b>
<b>Change in Net Position</b>				<b>3,643,773</b>
<b>Net Position - Beginning of Year, Restated</b>				<b>(144,260)</b>
<b>Net Position - End of Year</b>				<b>\$3,499,513</b>

See accompanying notes to the basic financial statements.

Fairborn City School District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$8,255,633	\$2,644,728	\$10,900,361
<b>Receivables:</b>			
Taxes	19,406,925	1,276,751	20,683,676
Accounts	156,247	13,228	169,475
Interest	1,327	0	1,327
Intergovernmental	483,352	1,005,706	1,489,058
Interfund	61,584	0	61,584
Inventory	0	21,486	21,486
<b>Total Assets</b>	<b>28,365,068</b>	<b>4,961,899</b>	<b>33,326,967</b>
<b>Liabilities:</b>			
Accounts Payable	395,801	28,673	424,474
Accrued Wages and Benefits	3,113,716	398,385	3,512,101
Compensated Absences	233,782	0	233,782
Interfund Payable	0	61,584	61,584
<b>Total Liabilities</b>	<b>3,743,299</b>	<b>488,642</b>	<b>4,231,941</b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	16,456,622	1,144,233	17,600,855
Grants and Other Taxes	210,620	688,658	899,278
<b>Total Deferred Inflows of Resources</b>	<b>16,667,242</b>	<b>1,832,891</b>	<b>18,500,133</b>
<b>Fund Balances:</b>			
Nonspendable	0	32,222	32,222
Restricted	0	2,638,934	2,638,934
Committed	425,454	0	425,454
Assigned	3,837,998	0	3,837,998
Unassigned	3,691,075	(30,790)	3,660,285
<b>Total Fund Balances</b>	<b>7,954,527</b>	<b>2,640,366</b>	<b>10,594,893</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$28,365,068</b>	<b>\$4,961,899</b>	<b>\$33,326,967</b>

See accompanying notes to the basic financial statements.

Fairborn City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2014

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Total Governmental Fund Balance		\$10,594,893
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		9,773,495
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	\$550,239	
Intergovernmental	<u>672,416</u>	
		1,222,655
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(51,253)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(3,362,377)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
		<u>(14,677,900)</u>
Net Position of Governmental Activities		<u><u>\$3,499,513</u></u>

See accompanying notes to the basic financial statements.

Fairborn City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$17,910,813	\$1,340,584	\$19,251,397
Income Taxes	2,336,769	0	2,336,769
Tuition and Fees	574,919	9,369	584,288
Investment Earnings	25,388	915	26,303
Intergovernmental	21,113,509	4,188,706	25,302,215
Extracurricular Activities	128,824	109,835	238,659
Charges for Services	205,238	401,977	607,215
Revenue in Lieu of Taxes	196,314	15,612	211,926
Other Revenues	727,759	29,608	757,367
<b>Total Revenues</b>	<b>43,219,533</b>	<b>6,096,606</b>	<b>49,316,139</b>
Expenditures:			
Current:			
Instruction:			
Regular	15,696,042	161,011	15,857,053
Special	6,541,268	2,069,714	8,610,982
Other	3,135,954	0	3,135,954
Support Services:			
Pupil	2,556,893	64,961	2,621,854
Instructional Staff	446,238	192,783	639,021
General Administration	61,264	0	61,264
School Administration	2,832,656	122,104	2,954,760
Fiscal	704,176	10,771	714,947
Business	286,021	0	286,021
Operations and Maintenance	3,431,789	4,218	3,436,007
Pupil Transportation	2,405,945	375	2,406,320
Central	420,101	7,472	427,573
Operation of Non-Instructional Services	21,544	1,749,263	1,770,807
Extracurricular Activities	553,132	107,403	660,535
Debt Service:			
Principal Retirement	0	238,976	238,976
Interest and Fiscal Charges	0	1,421,408	1,421,408
<b>Total Expenditures</b>	<b>39,093,023</b>	<b>6,150,459</b>	<b>45,243,482</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,126,510</b>	<b>(53,853)</b>	<b>4,072,657</b>
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	10,000	0	10,000
Transfers In	0	10,107	10,107
Transfers (Out)	(10,107)	0	(10,107)
<b>Total Other Financing Sources (Uses)</b>	<b>(107)</b>	<b>10,107</b>	<b>10,000</b>
<b>Net Change in Fund Balance</b>	<b>4,126,403</b>	<b>(43,746)</b>	<b>4,082,657</b>
<b>Fund Balance - Beginning of Year</b>	<b>3,828,124</b>	<b>2,684,112</b>	<b>6,512,236</b>
<b>Fund Balance - End of Year</b>	<b>\$7,954,527</b>	<b>\$2,640,366</b>	<b>\$10,594,893</b>

See accompanying notes to the basic financial statements.

Fairborn City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2014

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Net Change in Fund Balance - Total Governmental Funds \$4,082,657

Amounts reported for governmental activities in the  
 statement of activities are different because:

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$15,600	
Depreciation Expense	<u>(1,332,156)</u>	
		(1,316,556)

Revenues in the statement of activities that do not provide  
 current financial resources are not reported as revenues in  
 the funds.

Delinquent Property Taxes	(\$15,680)	
Intergovernmental	<u>340,278</u>	
		324,598

Repayment of bond and accreted interest principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net position.

1,020,000

In the statement of activities interest expense is accrued when incurred;  
 whereas, in governmental funds an interest expenditure is reported  
 when due.

(50,919)

Some expenses reported in the statement of activities do not require the  
 use of current financial resources and, therefore, are not reported as  
 expenditures in governmental funds.

Compensated Absences	(\$149,580)	
Amortization of Bond Premium	75,126	
Bond Accretion	<u>(341,553)</u>	
		<u>(416,007)</u>

Change in Net Position of Governmental Activities \$3,643,773

See accompanying notes to the basic financial statements.

Fairborn City School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$18,817,465	\$20,252,606	\$20,252,606	\$0
Revenue in lieu of taxes	182,403	196,314	196,314	0
Tuition and Fees	522,589	562,445	562,445	0
Investment Earnings	22,356	24,061	24,061	0
Intergovernmental	19,388,807	20,867,522	20,867,522	0
Extracurricular Activities	89,835	96,686	96,686	0
Charges for Services	190,694	205,238	205,238	0
Other Revenues	649,488	699,022	699,022	0
Total Revenues	39,863,637	42,903,894	42,903,894	0
Expenditures:				
Current:				
Instruction:				
Regular	17,009,263	15,633,754	15,633,754	0
Special	7,191,937	6,612,800	6,612,800	0
Other	3,408,667	3,134,181	3,134,181	0
Support Services:				
Pupil	2,800,246	2,574,754	2,574,754	0
Instructional Staff	854,595	785,778	785,778	0
General Administration	70,519	64,840	64,840	0
School Administration	3,132,655	2,880,395	2,880,395	0
Fiscal	775,134	712,716	712,716	0
Business	317,774	292,185	292,185	0
Operations and Maintenance	4,027,997	3,703,639	3,703,639	0
Pupil Transportation	3,101,216	2,851,488	2,851,488	0
Central	510,763	469,633	469,633	0
Extracurricular Activities	612,532	563,207	563,207	0
Total Expenditures	43,813,298	40,279,370	40,279,370	0
Excess of Revenues Over (Under) Expenditures	(3,949,661)	2,624,524	2,624,524	0
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	9,291	10,000	10,000	0
Transfers In	93,981	101,149	101,149	0
Transfers (Out)	(380,652)	(350,000)	(350,000)	0
Total Other Financing Sources (Uses)	(277,380)	(238,851)	(238,851)	0
Net Change in Fund Balance	(4,227,041)	2,385,673	2,385,673	0
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	3,877,613	3,877,613	3,877,613	0
Fund Balance - End of Year	(\$349,428)	\$6,263,286	\$6,263,286	\$0

See accompanying notes to the basic financial statements.

Fairborn City School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
June 30, 2014

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$109,990</u>
Total Assets	<u><u>109,990</u></u>
Liabilities:	
Accounts Payable	4,092
Other Liabilities	<u>105,898</u>
Total Liabilities	<u><u>\$109,990</u></u>

See accompanying notes to the basic financial statements.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 1 - Description of the District**

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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.

**Reporting Entity**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, 39 and 61, the financial reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or 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. The District has no component units.

The District is associated with five jointly governed organizations and one insurance purchasing pool. These organizations include the Southwestern Ohio Educational Purchasing Council, Miami Valley Special Education Regional Resource Center, Southwestern Ohio Instructional Technology Association, Greene County Career Center, Metropolitan Dayton Educational Cooperative Association, and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 of the financial statements. In addition, the District has shared service agreements with the Educational Service Centers of Greene and Montgomery Counties.

**Note 2 - Summary of Significant Accounting Policies**

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

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, expenditures related to compensated absences and debt service are recorded only when payment is due.

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

**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.

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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**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.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided that it is expended or transferred according to the general laws of Ohio.

Additionally, the District reports the following fund type:

*Fiduciary Fund* reporting focuses on net position and changes in net position. The District maintains one fiduciary fund: Student Activities Agency. The Student Activities fund was established to account for revenues generated by student managed activities. The District's agency fund is custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Budgetary Process**

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

**Tax Budget**

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

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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**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.

**Equity in Pooled Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the statement of net position and fund balance sheet.

During fiscal year 2014, the District's investments were STAR Ohio and Federal National Mortgage Association securities.

Except for nonparticipating investment contracts, investments are reported at fair value that is based on quoted market prices. Investment contracts and money market investments that have a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2014.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2014 amounted to \$25,388 credited to the general fund, and \$915 credited to other governmental funds.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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**Inventory**

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

On the fund financial statements, reported material and supplies inventory is equally offset by a non-spendable 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.

**Capital Assets**

Capital assets, which include land, land improvements, building and improvements, and furniture, equipment, and vehicles are reported on the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The District reviewed possible infrastructure assets (roads, bridges, culverts, etc.) which could be required to be capitalized. The District has no infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Building and Improvements	10-50
Land Improvements	10-20
Furniture, Equipment and Vehicles	5-20

**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.

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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**Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities are reported on the governmental fund financial statements when the liability is incurred. However, compensated absences and debt service expenditures are recorded as expenditures only when payment is due.

**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 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.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Non-spendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the District at its highest level of decision making authority, the Board of Education.

Assigned – amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or 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.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted (committed, assigned and unassigned) fund balances are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**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 \$2,997,314 in restricted net position, none were restricted by enabling legislation.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes 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.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants and other taxes (which includes tax incremental financing 'TIF'). Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

**Exchange/Non-Exchange Transactions**

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Note 3 – Accountability**

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At June 30, 2014, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Other Governmental Funds	
Public Preschool	\$4,360
Title VI-B Grant	12,829
Title I	11,575
EHA Preschool Grant	1,390
Race To The Top	636

The deficit in these funds were created by the application of generally accepted accounting principles.

**Note 4 - Budget to GAAP Reconciliation**

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**Budgetary Basis of Accounting**

While the District is 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 and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment, commitment or restriction of fund balance (GAAP basis).

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 4 - Budget to GAAP Reconciliation (Continued)**

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4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the General Fund GAAP and budgetary basis statements.

Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	
GAAP Basis	\$4,126,403
Adjustments:	
Revenue Accrual	(241,645)
Expenditure Accrual	194,979
Transfers In	101,149
Transfers (Out)	(339,893)
Encumbrances	(1,566,336)
Funds Budgeted Elsewhere	111,016
Budget Basis	\$2,385,673

**Note 5 - Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies - Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies - 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds notes, debentures, or other obligations or securities issued by any federal governmental agency.

**Note 5 - Equity in Pooled Cash and Investments (Continued)**

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- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than five years from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys 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.

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2014, \$5,875,531 of the District's bank balance of \$9,975,684 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, that are not covered by any federal deposit insurance.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 5 - Equity in Pooled Cash and Investments (Continued)**

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**Investments**

As of June 30, 2014, the District had the following investments:

Investment Type	Fair Value	Maturity (Years)
STAR Ohio	\$150,066	0.14
Federal National Mortgage Corporation	1,000,550	3.37
Total Fair Value	\$1,150,616	
Portfolio Weighted Average Maturity		2.95

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in STAR Ohio were rated AAAm by Standard & Poor’s. The District’s investment in Federal National Mortgage Corporation was rated Aaa by Moody’s Investor Services and AA+ by Standard & Poor’s.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 13% of the District’s investments in STAR Ohio and 87% in Federal National Mortgage Corporation.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent, but not in the District’s name.

**Note 6 - Property Tax and Income Tax**

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**Property Tax**

Property taxes are levied and assessed on a calendar year basis while the District’s 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 and public utility property located in the District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013 on the assessed value listed as of January 1, 2013, 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 semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 6 - Property Tax and Income Tax (Continued)**

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Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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. 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 Counties by June 30, 2014, are available to finance fiscal year 2015 operations. The amount available for advance can vary based on the date the tax bills are sent.

On a full-accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2014. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2014 on the fund statements. The entire amount of delinquent taxes receivable is recognized as revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2014, was \$1,641,179 for the General Fund, \$132,518 for Other Governmental Funds, and is recognized as revenue.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2014 First Half Collections	2013 Second Half Collections
Agricultural/Residential and Other Real Estate	\$595,676,590	\$592,073,150
Public Utility Personal	18,519,470	19,301,560
Total Assessed Value	<u>\$614,196,060</u>	<u>\$611,374,710</u>

**Income Tax**

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 – Receivables**

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Receivables at June 30, 2014 include taxes, accounts, intergovernmental, interest and interfund. 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.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**  
**(Continued)**

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$299,675	\$0	\$0	\$299,675
Total Capital Assets, not being depreciated	299,675	0	0	299,675
<b>Capital Assets, being depreciated:</b>				
Land Improvements	7,501,195	0	0	7,501,195
Buildings and Improvements	27,932,579	15,600	0	27,948,179
Furniture, Equipment and Vehicles	9,608,622	0	187,354	9,421,268
<b>Total Capital Assets, being depreciated:</b>	<b>45,042,396</b>	<b>15,600</b>	<b>187,354</b>	<b>44,870,642</b>
Totals at Historical Cost	<u>45,342,071</u>	<u>15,600</u>	<u>187,354</u>	<u>45,170,317</u>
Less Accumulated Depreciation:				
Land Improvements	4,817,157	342,368	0	5,159,525
Buildings and Improvements	20,998,222	715,777	0	21,713,999
Furniture, Equipment and Vehicles	8,436,641	274,011	187,354	8,523,298
Total Accumulated Depreciation	<u>34,252,020</u>	<u>1,332,156</u>	<u>187,354</u>	<u>35,396,822</u>
Governmental Activities Capital Assets, Net	<u>\$11,090,051</u>	<u>(\$1,316,556)</u>	<u>\$0</u>	<u>\$9,773,495</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,153,652
Special	1,103
Support Services:	
Instructional Staff	12,857
School Administration	46,635
Business	2,442
Operations and Maintenance	5,088
Pupil Transportation	74,455
Central	800
Operation of Non-Instructional Services	10,804
Extracurricular Activities	24,320
Total Depreciation Expense	<u>\$1,332,156</u>

**Note 9 - Risk Management**

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 2014, 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.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 9 - Risk Management (Continued)**

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The District contracted with Arthur J. Gallagher for building and property insurance. Commercial property is insured at a limit of \$115,687,988 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.

**Note 10 - Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$903,312, \$931,872, and \$929,064, respectively; contributions equaled the required contributions for each year.

**State Teachers Retirement System of Ohio**

Plan Description

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

**Note 10 - Pension Plans (Continued)**

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Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to 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. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 10 - Pension Plans (Continued)**

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A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$2,544,852, \$2,778,324, and \$2,926,884, respectively; 86% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**Note 11- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. District contributions for the year ended June 30, 2014, 2013 and 2012 were \$49,037, \$49,256, and \$49,771, respectively, which equaled the required contributions each year.

**Note 11- Post Employment Benefits (Continued)**

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Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$9,033, \$115,125, and \$118,185, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 11- Post Employment Benefits (Continued)**

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Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$181,775, \$198,452, and \$209,063, respectively; 86% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**Note 12 - Long Term Debt**

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Debt obligations of the District at June 30, 2014 consisted of the following:

	Interest Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
<u>General Obligation Bonds:</u>						
General Improvement Bonds - Refunded						
Current Interest Bonds	4-5.25%	\$13,005,000	\$0	\$0	\$13,005,000	\$0
Capital Appreciation Bonds - Principal Only		99,987	0	(58,976)	41,011	41,011
Accretion of Interest		1,094,724	341,553	(781,024)	655,253	0
General Improvement Bond Premium		1,051,762	0	(75,126)	976,636	0
Energy Conservation Improvement	3.5-4.6%	180,000	0	(180,000)	0	0
Total Bonds		<u>15,431,473</u>	<u>341,553</u>	<u>(1,095,126)</u>	<u>14,677,900</u>	<u>41,011</u>
Compensated Absences		<u>3,461,356</u>	<u>708,837</u>	<u>(574,034)</u>	<u>3,596,159</u>	<u>435,840</u>
Total Governmental Activities						
Long-Term Liabilities		<u>\$18,892,829</u>	<u>\$1,050,390</u>	<u>(\$1,669,160)</u>	<u>\$18,274,059</u>	<u>\$476,851</u>

General improvement bonds issued August 1, 2000, with a variable interest rate of 4.7 – 4.95% to be paid from the debt service fund with the final maturity being during fiscal year 2027. In May 2006, these bonds were partially refunded and now have a variable interest rate of 4.0% to 5.25% with a final maturity date of 12/1/2026. A significant savings will be seen by the District with this refunded issue.

Energy Conservation Improvement bonds were issued February 28, 2002 for \$1,705,000 at a variable interest rate of 3.5 – 4.6% for the purpose of the improvement and renovation of buildings. The bonds were issued for a twelve year period with a final maturity during fiscal year 2014.

All debt issues will be retired from the Debt Service Fund. Compensated absences will be paid from the funds from which the employees' salaries are paid.

The annual requirements to amortize all debt outstanding as of June 30, 2014 are as follows:

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 12 - Long Term Debt (Continued)**

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Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$0	\$0	\$0	\$41,011	\$1,425,233	\$1,466,244
2016	835,000	617,978	1,452,978	0	0	0
2017	870,000	580,138	1,450,138	0	0	0
2018	905,000	541,331	1,446,331	0	0	0
2019	940,000	497,425	1,437,425	0	0	0
2020-2024	5,465,000	1,706,375	7,171,375	0	0	0
2025-2028	3,990,000	305,750	4,295,750	0	0	0
Total	<u>\$13,005,000</u>	<u>\$4,248,997</u>	<u>\$17,253,997</u>	<u>\$41,011</u>	<u>\$1,425,233</u>	<u>\$1,466,244</u>

**Note 13 - Employee Benefits**

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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 up to a maximum of 252 days for teachers and administrators and 243 days for the classified staff. 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.

Life Insurance

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

Employee Medical/Dental Benefits

The District has elected to provide employee medical/surgical benefits through Anthem. The District pays 85% of family or single plans with the exception of 9-month employees. For employees working less than 10 months the board pays 85% for a single plan and 50% of a family plan. The District provides 100% of the cost dental insurance to employees.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 14 - Interfund Balance/Transfers**

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Interfund balances at June 30, 2014, consist of the following interfund receivables, payables, transfers in and out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$61,584	\$0	\$0	\$10,107
Other Governmental Funds	0	61,584	10,107	0
Total All Funds	<u>\$61,584</u>	<u>\$61,584</u>	<u>\$10,107</u>	<u>\$10,107</u>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**Note 15 - Set-Aside Calculations and Fund Reserves**

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The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set Aside Requirements	718,751
Qualified Disbursements	(728,599)
Current Year Offsets	<u>(21,448,524)</u>
Set Aside Reserve Balance as of June 30, 2014	<u>(\$21,458,372)</u>
Restricted Cash as of June 30, 2014	<u>\$0</u>

**Note 16 -Jointly Governed Organizations**

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**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.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 16 -Jointly Governed Organizations (Continued)**

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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 \$135,833 to SOEPC for the year ended June 30, 2014. 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 Joni Shoemaker, at the Montgomery County Educational Service Center, 200 S Keowee Street, Dayton, Ohio 45402.

**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 \$0 to SOITA for the year ended June 30, 2014. 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.

**Greene County Career Center**

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

**Note 16 -Jointly Governed Organizations (Continued)**

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**Metropolitan Dayton Educational Cooperative Association**

The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public Districts within the boundaries of Montgomery, Miami and Darke Counties, and the Cities of Dayton, Troy, Fairborn, and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts.

The governing board of MDECA consists of seven Superintendents of member Districts, with six of the Superintendents elected by majority vote of all member Districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid \$97,345 for these services for the year ended June 30, 2014. Financial information can be obtained from Dean Reineke, who serves as Executive Director, at 225 Linwood St. Dayton, OH 45405.

**Note 17 - Insurance Purchasing Pool**

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The District is a member of the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (SOEPC). 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. 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.

**Note 18 – Contingencies**

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**Financial Assistance**

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, 2014.

**Note 19 – Permanent Fund Balance**

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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.

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 19 – Permanent Fund Balance (Continued)**

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The District is electing to get out of the scholarship program and is attempting to transfer all its monies to Greene County Community Foundation so the Foundation can take over the scholarship program. This fund will be eliminated in the near future.

**Note 20 – Fund Balances**

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Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total
<b>Nonspendable:</b>			
Endowments	\$0	\$32,222	\$32,222
<b>Total Nonspendable</b>	0	32,222	32,222
<b>Restricted for:</b>			
Other Grants	0	1,667	1,667
District Managed Activities	0	68,536	68,536
Auxiliary Services	0	41,105	41,105
OneNet Ohio	0	3,600	3,600
Comprehensive School Reform Grant	0	4,609	4,609
Title III Grant	0	917	917
Improving Teacher Quality	0	4,837	4,837
Food Service	0	1,426,203	1,426,203
Special Trust	0	4,172	4,172
Debt Service	0	1,083,288	1,083,288
<b>Total Restricted</b>	0	2,638,934	2,638,934
<b>Committed to:</b>			
Termination Benefits	425,454	0	425,454
<b>Total Committed</b>	425,454	0	425,454
<b>Assigned to:</b>			
Budgetary Variance	2,509,521	0	2,509,521
Public School Support	57,957	0	57,957
Encumbrances	1,270,520	0	1,270,520
<b>Total Assigned</b>	3,837,998	0	3,837,998
<b>Unassigned (Deficit)</b>	3,691,075	(30,790)	3,660,285
<b>Total Fund Balance</b>	<u>\$7,954,527</u>	<u>\$2,640,366</u>	<u>\$10,594,893</u>

**Fairborn City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**Note 21 – District’s Plan**

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On January 7, 2013, Ohio Department of Education placed Fairborn City School District under fiscal caution. On April 11, 2013, the Board approved reductions in force for financial reason that resulted in the elimination of twenty-two (22) teaching positions, twenty (20) noon duty aides and two (2) principal aides. The Fairborn City Schools Board of Education attempt of a \$7,000,000 / 10-year Emergency Operating Levy on the May 7, 2013 ballot failed.

**Note 22 – Change in Accounting Principles**

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The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

**Note 23 – Prior Period Adjustment**

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In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period’s net position as follows:

	Governmental Activities
	<hr/>
Net Position - June 30, 2013	\$2,228
Prior Period Adjustment:	
Bond Issuance Costs	(146,488)
Restated Net Position - June 30, 2013	<hr/> <hr/> (\$144,260)

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</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		\$95,061		\$95,061
Cash Assistance					
School Breakfast Program	10.553	\$287,149		\$287,149	
National School Lunch Program	10.555	857,779		857,779	
National School Lunch Program - Incentive	10.555	23,777		23,777	
Summer Food Service Program for Children	10.559	4,383		4,383	
Total Child Nutrition Cluster		<u>1,173,088</u>	<u>95,061</u>	<u>1,173,088</u>	<u>95,061</u>
Total U.S. Department of Agriculture		<u>1,173,088</u>	<u>95,061</u>	<u>1,173,088</u>	<u>95,061</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	1,450,176		1,487,752	
Special Education Cluster (IDEA):					
Special Education Grants to States	84.027	889,257		855,062	
Special Education Preschool Grants	84.173	37,934		38,043	
Total Special Education Cluster (IDEA)		<u>927,191</u>		<u>893,105</u>	
Education for Homeless Children and Youth	84.196	32,527		35,902	
English Language Acquisition State Grants	84.365	13,653		13,008	
Improving Teacher Quality State Grants	84.367	141,210		145,408	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants - Resident Educator	84.395	3,812			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants - Student Growth	84.395			636	
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants		<u>3,812</u>		<u>636</u>	
<b>Direct Aid</b>					
Impact Aid	84.041	117,294		117,294	
Total U.S. Department of Education		<u>2,685,863</u>		<u>2,693,105</u>	
Total Federal Awards Receipts and Expenditures		<u>\$3,858,951</u>	<u>\$95,061</u>	<u>\$3,866,193</u>	<u>\$95,061</u>

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

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Fairborn City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - 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 C – IMPACT AID**

The District commingles cash receipts from the U.S. Department of Education with unrestricted state and local monies. 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 fair value. The District allocated donated food commodities to the 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.



# 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 Fairborn City School District, Greene County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2015.

### ***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*.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402  
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***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 "Y" and "O".

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

March 4, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH OF THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Programs***

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) *Circular A-133, Compliance Supplement* that could directly and materially affect the Fairborn City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Programs***

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 programs for the year ended June 30, 2014.

***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 programs' compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

March 4, 2015

**FAIRBORN CITY SCHOOL DISTRICT  
GREENE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program (CFDA #10.553) National School Lunch Program (CFDA #10.555) Summer Food Service Program for Children (CFDA #10.559)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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

## Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Fairborn City School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated February 12, 2014, we noted the Board amended the anti-harassment policy on September 13, 2012. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on February 13, 2014. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 4, 2015

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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  
APRIL 2, 2015**