



**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2020**

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OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Fairbanks Local School District  
11158 SR 38  
Milford Center, Ohio 43045

We have reviewed the *Independent Auditor's Report* of the Fairbanks Local School District, Union County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fairbanks Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

March 11, 2021

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**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

January 27, 2021

Fairbanks Local District  
Union County  
11158 SR 38  
Milford Center, Ohio 43045

To the Board of Education:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Fairbanks Local School District**, Union County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
Members: American Institute of Certified Public Accountants  
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Fairbanks Local District, Union County, Ohio, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021, 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

The management's discussion and analysis of Fairbanks Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position decreased \$810,908 from 2019's restated net position. Net position of governmental activities decreased \$811,101, which represents a 18.66% decrease from 2019's restated net position. Net position of business-type activities increased \$193 from fiscal year 2019.
- For governmental activities, general revenues accounted for \$13,374,720, or 84.68% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,420,183, or 15.32%, of total revenues of \$15,794,903.
- The District had \$16,606,004 in expenses related to governmental activities; only \$2,420,183 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,374,720 were not adequate to provide for the programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$13,181,895 in revenues and \$13,093,266 in expenditures and other financing uses. The general fund's fund balance increased \$88,629 from a balance of \$7,332,174 to \$7,420,803.
- The bond retirement fund had \$9,366,246 in revenues and other financing sources and \$9,294,447 in expenditures and other financing uses. The bond retirement fund's fund balance increased \$71,799 from a balance of \$1,358,367 to \$1,430,166. During fiscal year 2020, the District refund the Series 2012 Refunding General Obligation Bonds through the issuance of the Series 2019 Refunding General Obligation Bonds.
- Net position for the District's enterprise fund increased \$193. The Fairbanks Elementary Extended Day Program (F.E.E.D. Program), a nonmajor enterprise fund, had \$56,996 in operating revenues and \$56,803 in operating expenses.

**Using the Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The District's statement of net position and statement of activities can be found on pages 17 - 19 of this report.

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 20 - 24 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

***Proprietary Funds***

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 25 - 27 of this report.

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in a custodial fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 28 and 29. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31 - 71 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 74 - 89 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3.

	<b>Net Position</b>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2020	Restated 2019	2020	2019	2020	Restated 2019
<b><u>Assets</u></b>						
Current assets	\$ 18,498,283	\$ 18,584,563	\$ 89,655	\$ 82,838	\$ 18,587,938	\$ 18,667,401
Net OPEB asset	837,690	791,049	-	-	837,690	791,049
Capital assets, net	<u>16,106,437</u>	<u>16,040,112</u>	<u>-</u>	<u>-</u>	<u>16,106,437</u>	<u>16,040,112</u>
Total assets	<u>35,442,410</u>	<u>35,415,724</u>	<u>89,655</u>	<u>82,838</u>	<u>35,532,065</u>	<u>35,498,562</u>
<b><u>Deferred outflows of resources</u></b>						
Unamortized deferred charges	-	748,637	-	-	-	748,637
Pension	3,262,195	4,349,486	10,552	10,311	3,272,747	4,359,797
OPEB	<u>407,530</u>	<u>326,504</u>	<u>6,930</u>	<u>1,826</u>	<u>414,460</u>	<u>328,330</u>
Total deferred outflows of resources	<u>3,669,725</u>	<u>5,424,627</u>	<u>17,482</u>	<u>12,137</u>	<u>3,687,207</u>	<u>5,436,764</u>
<b><u>Liabilities</u></b>						
Current liabilities	1,525,261	1,875,004	-	2,805	1,525,261	1,877,809
Long-term liabilities:						
Due within one year	489,870	508,687	-	-	489,870	508,687
Net pension liability	14,274,537	13,774,139	60,123	50,484	14,334,660	13,824,623
Net OPEB liability	1,324,079	1,440,869	25,767	24,659	1,349,846	1,465,528
Other amounts	<u>9,360,576</u>	<u>10,372,525</u>	<u>-</u>	<u>-</u>	<u>9,360,576</u>	<u>10,372,525</u>
Total liabilities	<u>26,974,323</u>	<u>27,971,224</u>	<u>85,890</u>	<u>77,948</u>	<u>27,060,213</u>	<u>28,049,172</u>
<b><u>Deferred inflows of resources</u></b>						
Property taxes	6,465,265	6,352,290	-	-	6,465,265	6,352,290
Unamortized deferred gain	116,795	-	-	-	116,795	-
Pension	638,322	817,096	871	1,629	639,193	818,725
OPEB	<u>1,381,811</u>	<u>1,353,021</u>	<u>7,157</u>	<u>2,372</u>	<u>1,388,968</u>	<u>1,355,393</u>
Total deferred inflows of resources	<u>8,602,193</u>	<u>8,522,407</u>	<u>8,028</u>	<u>4,001</u>	<u>8,610,221</u>	<u>8,526,408</u>
<b><u>Net Position</u></b>						
Net investment in capital assets	7,248,496	6,902,588	-	-	7,248,496	6,902,588
Restricted	2,437,485	2,327,014	-	-	2,437,485	2,327,014
Unrestricted (deficit)	<u>(6,150,362)</u>	<u>(4,882,882)</u>	<u>13,219</u>	<u>13,026</u>	<u>(6,137,143)</u>	<u>(4,869,856)</u>
Total net position (deficit)	<u>\$ 3,535,619</u>	<u>\$ 4,346,720</u>	<u>\$ 13,219</u>	<u>\$ 13,026</u>	<u>\$ 3,548,838</u>	<u>\$ 4,359,746</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

In accordance with GASB 68 and GASB 75, the District’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2020, the District’s assets and deferred outflows exceeded liabilities and deferred inflows by \$3,548,838. \$3,535,619 of this total is in governmental activities, and \$13,219 is in business-type activities.

Current assets decreased primarily due to a decrease in the income taxes receivable as a result of the COVID-19 pandemic.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 12 for more detail.

Total assets include a net OPEB asset reported by STRS. See Note 13 for more detail.

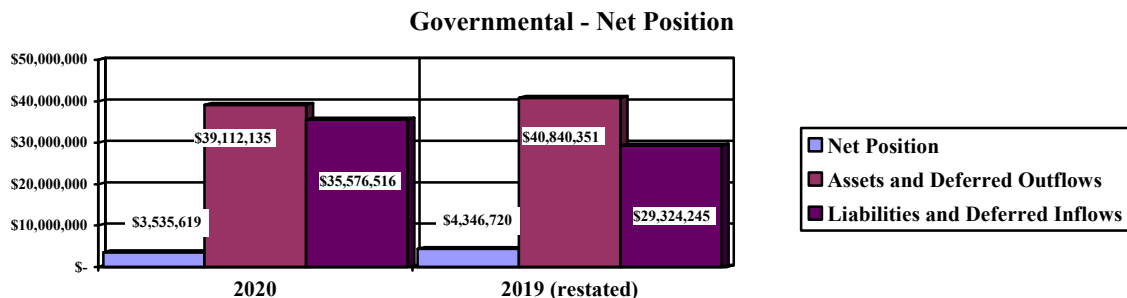
Capital assets reported on the government-wide statements represented 45.33% of total assets. Capital assets include land, land improvements, buildings/improvements, furniture/equipment and vehicles. The District’s net investment in capital assets at June 30, 2020, was \$7,248,496 in the governmental activities. These capital assets are used to provide services to students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Deferred inflows related to OPEB increased primarily due to changes in assumptions by STRS. See Note 13 for more detail.

Long-term liabilities decreased primarily due to a decrease in the net OPEB liability. This liability is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it’s the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District. Also, the District made its required debt service payments and refunded the Series 2012 General Obligation Refunding Bonds reducing the liability.

A portion of the District’s net position, \$2,437,485, represents resources that are subject to external restriction on how they may be used. In the governmental activities and business-type activities, the remaining balance of unrestricted net position is a deficit of \$6,150,362 and \$13,219 respectively.

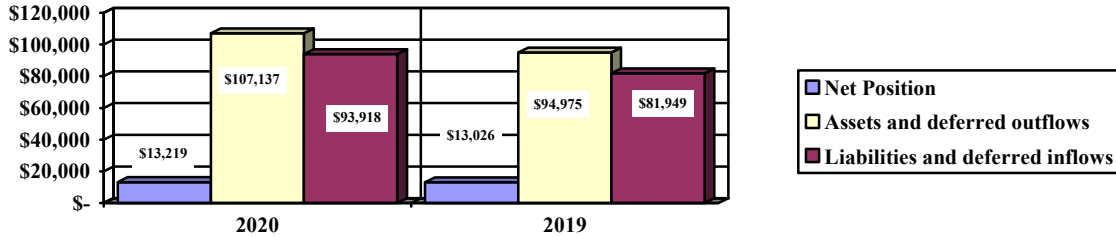
The graphs below show the District’s government-wide assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

**Business-Type - Net Position**



The table below shows the changes in net position for governmental activities and business-type activities for fiscal years 2020 and 2019. Due to practicality, 2019 revenues and expenses in the table below have not been adjusted to reflect the implementation of GASB No. 84 (see Note 3). Rather, the cumulative impact of applying GASB No. 84 is reflected in the beginning net position for 2019.

**Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,339,493	\$ 1,326,929	\$ 56,616	\$ 63,386	\$ 1,396,109	\$ 1,390,315
Operating grants and contributions	1,080,690	938,982	-	-	1,080,690	938,982
General revenues:						
Property taxes	7,487,046	6,678,310	-	-	7,487,046	6,678,310
Income taxes	2,301,381	2,572,751	-	-	2,301,381	2,572,751
Grants and entitlements	3,395,814	3,456,583	-	-	3,395,814	3,456,583
Investment earnings	155,328	181,553	-	-	155,328	181,553
Other	35,151	60,012	380	3,334	35,531	63,346
<b>Total revenues</b>	<b>15,794,903</b>	<b>15,215,120</b>	<b>56,996</b>	<b>66,720</b>	<b>15,851,899</b>	<b>15,281,840</b>

(continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

<u>Expenses</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Program expenses:						
Instruction:						
Regular	7,329,469	6,042,412	-	-	7,329,469	6,042,412
Special	1,671,448	1,399,621	-	-	1,671,448	1,399,621
Vocational	20,792	14,463	-	-	20,792	14,463
Other	124,938	95,112	-	-	124,938	95,112
Support services:						
Pupil	955,443	729,066	-	-	955,443	729,066
Instructional staff	666,001	603,730	-	-	666,001	603,730
Board of education	43,836	49,620	-	-	43,836	49,620
Administration	1,261,490	934,471	-	-	1,261,490	934,471
Fiscal	512,443	430,980	-	-	512,443	430,980
Operations and maintenance	1,317,600	1,362,831	-	-	1,317,600	1,362,831
Pupil transportation	833,427	703,422	-	-	833,427	703,422
Operation of non-instructional services:						
Food service operations	339,431	310,844	-	-	339,431	310,844
Other non-instructional services	360,543	347,267	-	-	360,543	347,267
Extracurricular activities	639,475	420,003	-	-	639,475	420,003
Interest and fiscal charges	529,668	515,906	-	-	529,668	515,906
F.E.E.D. Program	-	-	56,803	48,840	56,803	48,840
Total expenses	<u>16,606,004</u>	<u>13,959,748</u>	<u>56,803</u>	<u>48,840</u>	<u>16,662,807</u>	<u>14,008,588</u>
Changes in net position	(811,101)	1,255,372	193	17,880	(810,908)	1,273,252
Net position (deficit)						
at beginning of year (restated)	<u>4,346,720</u>	<u>3,091,348</u>	<u>13,026</u>	<u>(4,854)</u>	<u>4,359,746</u>	<u>3,086,494</u>
Net position at end of year	<u>\$ 3,535,619</u>	<u>\$ 4,346,720</u>	<u>\$ 13,219</u>	<u>\$ 13,026</u>	<u>\$ 3,548,838</u>	<u>\$ 4,359,746</u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$811,101 from 2019. During 2020, total governmental expenses of \$16,606,004 were offset by program revenues of \$2,420,183 and general revenues of \$13,374,720. Program revenues supported 14.57% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 83.47% of total governmental revenue. Real estate property is reappraised every six years.

Overall, expenses of the governmental activities increased \$2,646,256 or 18.96%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in a prior fiscal year.

On an accrual basis, the District reported \$2,466,994 and \$1,601,465 in pension expense for fiscal year 2020 and 2019, respectively. In addition, the District reported (\$183,061) and (\$1,617,040) in OPEB expense for fiscal year 2020 and 2019, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2019 to fiscal year 2020 was \$2,299,508. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities.

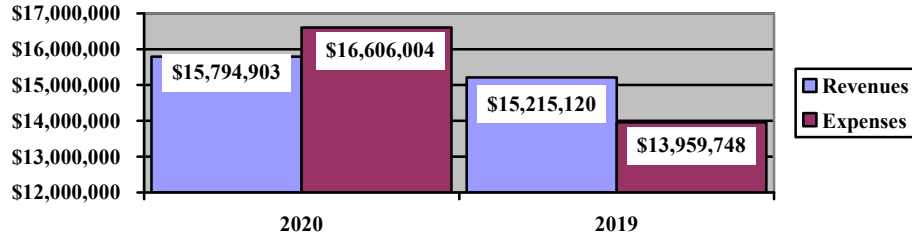


**FAIRBANKS LOCAL SCHOOL DISTRICT  
UNION COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2020 and 2019.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2020 and 2019.

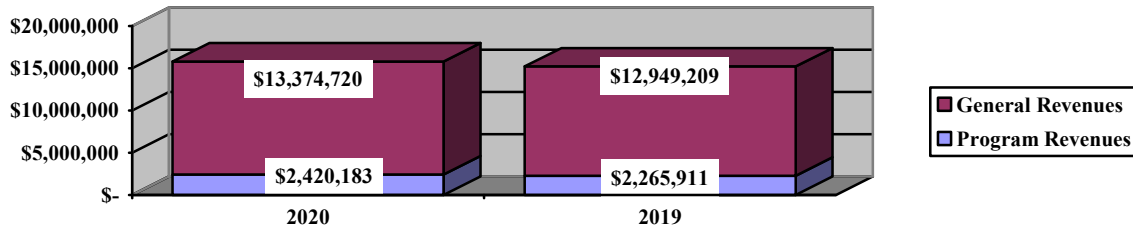
	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Program expenses:				
Instruction:				
Regular	\$ 7,329,469	\$ 6,594,574	\$ 6,042,412	\$ 5,234,048
Special	1,671,448	1,177,781	1,399,621	884,292
Vocational	20,792	3,014	14,463	(3,315)
Other	124,938	124,938	95,112	95,112
Support services:				
Pupil	955,443	725,327	729,066	695,817
Instructional staff	666,001	635,489	603,730	557,002
Board of education	43,836	43,836	49,620	49,620
Administration	1,261,490	1,261,490	934,471	931,749
Fiscal	512,443	413,569	430,980	340,711
Operations and maintenance	1,317,600	1,308,390	1,362,831	1,352,226
Pupil transportation	833,427	795,606	703,422	639,882
Operation of non-instructional services:				
Food service operations	339,431	3,787	310,844	(35,800)
Other non-instructional services	360,543	190,529	347,267	145,445
Extracurricular activities	639,475	377,823	420,003	291,142
Interest and fiscal charges	529,668	529,668	515,906	515,906
<b>Total expenses</b>	<u>\$ 16,606,004</u>	<u>\$ 14,185,821</u>	<u>\$ 13,959,748</u>	<u>\$ 11,693,837</u>

The dependence upon tax revenues during fiscal year 2020 for governmental activities is apparent, as 86.37% of instruction activities are supported through taxes and other general revenues. General revenue support for all governmental activities was 85.43% in fiscal year 2020. The graph on the following page presents the District's governmental activities revenues for fiscal years 2020 and 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

**Governmental Activities - General and Program Revenues**



**Business-Type Activities**

Business-type activities include the F.E.E.D. Program. This program had operating revenues of \$56,996 and operating expenses of \$56,803 for fiscal year 2020. The District's business-type activities receive no support from tax revenues.

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$10,212,334, which is more than last year's restated balance of \$9,862,401. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019. The fund balances at June 30, 2019 have been restated as described in Note 3.

	Fund Balance June 30, 2020	Restated Fund Balance June 30, 2019	Change
General	\$ 7,420,803	\$ 7,332,174	\$ 88,629
Bond retirement	1,430,166	1,358,367	71,799
Other governmental	1,361,365	1,171,860	189,505
<b>Total</b>	<b>\$ 10,212,334</b>	<b>\$ 9,862,401</b>	<b>\$ 349,933</b>

**General Fund**

The District's general fund balance increased \$88,629 during fiscal year 2020. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2020 Amount	2019 Amount	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Taxes	\$ 8,565,692	\$ 7,879,680	\$ 686,012	8.71 %
Tuition	690,211	758,339	(68,128)	(8.98) %
Interest earnings	155,328	181,553	(26,225)	(14.44) %
Intergovernmental	3,534,203	3,612,547	(78,344)	(2.17) %
Other revenues	236,461	275,331	(38,870)	(14.12) %
<b>Total</b>	<b>\$ 13,181,895</b>	<b>\$ 12,707,450</b>	<b>\$ 474,445</b>	<b>3.73 %</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

	2020 <u>Amount</u>	2019 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Expenditures</u></b>				
Instruction	\$ 7,825,945	\$ 7,617,796	\$ 208,149	2.73 %
Support services	4,836,362	4,873,513	(37,151)	(0.76) %
Extracurricular activities	281,901	317,352	(35,451)	(11.17) %
Non-instructional services	<u>98,378</u>	<u>90,197</u>	<u>8,181</u>	9.07 %
Total	<u>\$ 13,042,586</u>	<u>\$ 12,898,858</u>	<u>\$ 143,728</u>	1.11 %

Property taxes increased from the prior fiscal year due to the timing of collections. Income taxes decreased due to the COVID-19 pandemic. Intergovernmental revenues decreased due to decreased funding from the State of Ohio through State Foundation. Interest earnings decreased due to decreased interest rates on the District's investments. All other revenues remained consistent with the prior year or changed an insignificant amount.

Instruction expenditures increased due to increased teacher salaries. Extracurricular activities decreased due to decreased participation in the District's programs by students. All other expenditures remained comparable to the prior year or changed an insignificant amount.

***Bond Retirement Fund***

The bond retirement fund had \$9,366,246 in revenues and other financing sources and \$9,294,447 in expenditures and other financing uses. The bond retirement fund's fund balance increased \$71,799 from a balance of \$1,358,367 to \$1,430,166. During fiscal year 2020, the District refund the Series 2012 Refunding General Obligation Bonds through the issuance of the Series 2019 Refunding General Obligation Bonds.

***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 2020, the District amended its general fund budget once. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$13,060,000 which were \$205,750 less than final budgeted revenues of \$13,265,750. Actual revenues and other financing sources for fiscal year 2020 were \$13,375,476, which is \$109,726 more than final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$13,829,906 were decreased to \$13,409,736 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$13,341,077, which is \$68,659 lower than the final appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2020, the District had \$16,106,437 invested in land, construction in progress, land improvements, buildings/improvements, furniture/equipment and vehicles. This total amount was reported in governmental activities. The following table shows June 30, 2020 balances compared to June 30, 2019:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2020	2019
Land	\$ 289,921	\$ 289,921
Construction in progress	-	285,976
Land improvements	540,231	605,181
Building/improvements	13,599,504	13,241,239
Furniture/equipment	715,917	715,977
Vehicles	960,864	901,818
Total	\$ 16,106,437	\$ 16,040,112

The overall increase in capital assets of \$66,325 is due to capital asset additions of \$735,662 being greater than depreciation expense of \$568,934 and disposals of \$100,403 (net of accumulated depreciation).

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

***Debt Administration***

At June 30, 2020 the District had \$8,305,398 in general obligation bonds and \$310,000 in energy conservation bonds outstanding. Of this total, \$420,398 is due within one year and \$8,195,000 is due in greater than one year. The following table summarizes the District's debt obligations outstanding at June 30, 2020 and 2019.

**Outstanding Debt, at Year End**

	Governmental Activities 2020	Governmental Activities 2019
	2020	2019
General obligation bonds	\$ 8,305,398	\$ 8,893,110
Energy conservation bonds	310,000	350,000
Total	\$ 8,615,398	\$ 9,243,110

At June 30, 2020 the District's overall legal debt margin was \$19,963,384 with an unvoted debt margin of \$294,025.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

**Current Financial Related Activities**

The Fairbanks Local School District financial condition continues to be very stable with a strong cash reserve. As with all Ohio public schools, the pandemic has caused concern with future revenues, but steps are being taken to counter any reductions in revenues. No operating levies are needed in the near term. The district will continue to monitor changes to revenues as the pandemic continues. There will continue to be some additional uncertainty for fiscal year 2020-2021, with the ongoing pandemic and its impact on both state and local economies.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2020

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 10,018,614	\$ 89,565	\$ 10,108,179
Receivables:			
Property taxes . . . . .	7,531,440	-	7,531,440
Income taxes. . . . .	846,788	-	846,788
Intergovernmental . . . . .	77,035	-	77,035
Prepayments . . . . .	22,235	90	22,325
Materials and supplies inventory. . . . .	465	-	465
Inventory held for resale. . . . .	1,706	-	1,706
Net OPEB asset (Note 13) . . . . .	837,690	-	837,690
Capital assets:			
Nondepreciable capital assets . . . . .	289,921	-	289,921
Depreciable capital assets, net. . . . .	15,816,516	-	15,816,516
Capital assets, net . . . . .	16,106,437	-	16,106,437
Total assets. . . . .	<u>35,442,410</u>	<u>89,655</u>	<u>35,532,065</u>
<b>Deferred outflows of resources:</b>			
Pension (Note 12) . . . . .	3,262,195	10,552	3,272,747
OPEB (Note 13) . . . . .	407,530	6,930	414,460
Total deferred outflows of resources . . . . .	<u>3,669,725</u>	<u>17,482</u>	<u>3,687,207</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	41,213	-	41,213
Accrued wages and benefits payable . . . . .	1,204,835	-	1,204,835
Intergovernmental payable . . . . .	77,530	-	77,530
Pension and postemployment benefits payable . . . . .	184,637	-	184,637
Accrued interest payable . . . . .	17,046	-	17,046
Long-term liabilities:			
Due within one year. . . . .	489,870	-	489,870
Due in more than one year:			
Net pension liability (Note 12) . . . . .	14,274,537	60,123	14,334,660
Net OPEB liability (Note 13) . . . . .	1,324,079	25,767	1,349,846
Other amounts due in more than one year . . . . .	9,360,576	-	9,360,576
Total liabilities . . . . .	<u>26,974,323</u>	<u>85,890</u>	<u>27,060,213</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	6,465,265	-	6,465,265
Unamortized deferred gain on debt refunding. . . . .	116,795	-	116,795
Pension (Note 12). . . . .	638,322	871	639,193
OPEB (Note 13). . . . .	1,381,811	7,157	1,388,968
Total deferred inflows of resources . . . . .	<u>8,602,193</u>	<u>8,028</u>	<u>8,610,221</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	7,248,496	-	7,248,496
Restricted for:			
Capital projects . . . . .	698,383	-	698,383
Debt service. . . . .	1,047,954	-	1,047,954
Locally funded programs . . . . .	1,210	-	1,210
State funded programs. . . . .	195,758	-	195,758
Federally funded programs . . . . .	2,208	-	2,208
Student activities . . . . .	178,607	-	178,607
Other purposes . . . . .	313,365	-	313,365
Unrestricted (deficit) . . . . .	(6,150,362)	13,219	(6,137,143)
Total net position (deficit) . . . . .	<u>\$ 3,535,619</u>	<u>\$ 13,219</u>	<u>\$ 3,548,838</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental activities:</b>			
Instruction:			
Regular . . . . .	\$ 7,329,469	\$ 734,795	\$ 100
Special . . . . .	1,671,448	5,505	488,162
Vocational . . . . .	20,792	-	17,778
Other . . . . .	124,938	-	-
Support services:			
Pupil . . . . .	955,443	10,876	219,240
Instructional staff . . . . .	666,001	20,340	10,172
Board of education . . . . .	43,836	-	-
Administration . . . . .	1,261,490	-	-
Fiscal . . . . .	512,443	98,874	-
Operations and maintenance . . . . .	1,317,600	9,210	-
Pupil transportation . . . . .	833,427	11,821	26,000
Operation of non-instructional services:			
Food service operations . . . . .	339,431	202,820	132,824
Other non-instructional services . . . . .	360,543	-	170,014
Extracurricular activities . . . . .	639,475	245,252	16,400
Interest and fiscal charges . . . . .	529,668	-	-
Total governmental activities . . . . .	<u>16,606,004</u>	<u>1,339,493</u>	<u>1,080,690</u>
<b>Business-type activities:</b>			
F.E.E.D Program . . . . .	<u>56,803</u>	<u>56,616</u>	<u>-</u>
Totals . . . . .	<u>\$ 16,662,807</u>	<u>\$ 1,396,109</u>	<u>\$ 1,080,690</u>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	
Debt service . . . . .	
School district income tax:	
General purposes . . . . .	
Capital projects . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Miscellaneous . . . . .	
Total general revenues . . . . .	
Change in net position . . . . .	
<b>Net position (deficit) at beginning of year (restated) . . . . .</b>	
<b>Net position at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (6,594,574)	\$ -	\$ (6,594,574)
(1,177,781)	-	(1,177,781)
(3,014)	-	(3,014)
(124,938)	-	(124,938)
(725,327)	-	(725,327)
(635,489)	-	(635,489)
(43,836)	-	(43,836)
(1,261,490)	-	(1,261,490)
(413,569)	-	(413,569)
(1,308,390)	-	(1,308,390)
(795,606)	-	(795,606)
(3,787)	-	(3,787)
(190,529)	-	(190,529)
(377,823)	-	(377,823)
(529,668)	-	(529,668)
<u>(14,185,821)</u>	<u>-</u>	<u>(14,185,821)</u>
-	(187)	(187)
<u>(14,185,821)</u>	<u>(187)</u>	<u>(14,186,008)</u>
6,790,349	-	6,790,349
696,697	-	696,697
1,726,036	-	1,726,036
575,345	-	575,345
3,395,814	-	3,395,814
155,328	-	155,328
<u>35,151</u>	<u>380</u>	<u>35,531</u>
<u>13,374,720</u>	<u>380</u>	<u>13,375,100</u>
(811,101)	193	(810,908)
<u>4,346,720</u>	<u>13,026</u>	<u>4,359,746</u>
<u>\$ 3,535,619</u>	<u>\$ 13,219</u>	<u>\$ 3,548,838</u>

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 7,429,625	\$ 1,343,968	\$ 1,245,021	\$ 10,018,614
Receivables:				
Property taxes . . . . .	6,845,220	686,220	-	7,531,440
Income taxes . . . . .	635,091	-	211,697	846,788
Intergovernmental . . . . .	35,721	-	41,314	77,035
Prepayments . . . . .	20,817	-	1,418	22,235
Materials and supplies inventory . . . . .	-	-	465	465
Inventory held for resale . . . . .	-	-	1,706	1,706
Total assets . . . . .	<u>\$ 14,966,474</u>	<u>\$ 2,030,188</u>	<u>\$ 1,501,621</u>	<u>\$ 18,498,283</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 20,739	\$ -	\$ 20,474	\$ 41,213
Accrued wages and benefits payable . . . . .	1,145,146	-	59,689	1,204,835
Intergovernmental payable . . . . .	74,310	-	3,220	77,530
Pension and postemployment benefits payable . . . . .	177,110	-	7,527	184,637
Total liabilities . . . . .	<u>1,417,305</u>	<u>-</u>	<u>90,910</u>	<u>1,508,215</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	5,876,463	588,802	-	6,465,265
Delinquent property tax revenue not available . . . . .	108,778	11,220	-	119,998
Income tax revenue not available . . . . .	123,707	-	41,236	164,943
Intergovernmental revenue not available . . . . .	19,418	-	8,110	27,528
Total deferred inflows of resources . . . . .	<u>6,128,366</u>	<u>600,022</u>	<u>49,346</u>	<u>6,777,734</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	-	-	465	465
Prepays . . . . .	20,817	-	1,418	22,235
Restricted:				
Debt service . . . . .	-	1,430,166	-	1,430,166
Capital improvements . . . . .	-	-	657,147	657,147
Food service operations . . . . .	-	-	328,623	328,623
Non-public schools . . . . .	-	-	5,476	5,476
Targeted academic assistance . . . . .	-	-	86	86
Other purposes . . . . .	-	-	7,434	7,434
Extracurricular . . . . .	-	-	178,542	178,542
Student wellness and success . . . . .	-	-	186,864	186,864
Assigned:				
Student instruction . . . . .	30,682	-	-	30,682
Student and staff support . . . . .	95,658	-	-	95,658
Subsequent year's appropriations . . . . .	602,022	-	-	602,022
School supplies . . . . .	48,029	-	-	48,029
Other purposes . . . . .	1,232	-	-	1,232
Unassigned (deficit) . . . . .	<u>6,622,363</u>	<u>-</u>	<u>(4,690)</u>	<u>6,617,673</u>
Total fund balances . . . . .	<u>7,420,803</u>	<u>1,430,166</u>	<u>1,361,365</u>	<u>10,212,334</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 14,966,474</u>	<u>\$ 2,030,188</u>	<u>\$ 1,501,621</u>	<u>\$ 18,498,283</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2020

<b>Total governmental fund balances</b>		\$	10,212,334
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,106,437
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	119,998	
Income taxes receivable		164,943	
Intergovernmental receivable		27,528	
Total			312,469
Unamortized premiums on bonds issued are not recognized in the funds.			(502,134)
Unamortized deferred gains on refundings are not recognized in the funds.			(116,795)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(17,046)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		3,262,195	
Deferred inflows of resources - pension		(638,322)	
Net pension liability		(14,274,537)	
Total			(11,650,664)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:			
Net OPEB asset		837,690	
Deferred outflows of resources - OPEB		407,530	
Deferred inflows of resources - OPEB		(1,381,811)	
Net OPEB liability		(1,324,079)	
Total			(1,460,670)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(8,615,398)	
Compensated absences		(732,914)	
Total			(9,348,312)
<b>Net position (deficit) of governmental activities</b>		<b>\$</b>	<b>3,535,619</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 6,841,075	\$ 702,808	\$ -	\$ 7,543,883
Income taxes . . . . .	1,724,617	-	574,872	2,299,489
Tuition . . . . .	690,211	-	-	690,211
Transportation fees . . . . .	11,821	-	-	11,821
Earnings on investments . . . . .	155,328	-	-	155,328
Charges for services . . . . .	-	-	202,820	202,820
Extracurricular . . . . .	-	-	245,252	245,252
Classroom materials and fees . . . . .	70,212	-	-	70,212
Rental income . . . . .	9,210	-	-	9,210
Contributions and donations . . . . .	100	-	15,300	15,400
Contract services . . . . .	98,874	-	-	98,874
Other local revenues . . . . .	46,244	-	3,348	49,592
Intergovernmental - state . . . . .	3,534,203	93,314	396,151	4,023,668
Intergovernmental - federal . . . . .	-	-	516,479	516,479
Total revenues . . . . .	<u>13,181,895</u>	<u>796,122</u>	<u>1,954,222</u>	<u>15,932,239</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,497,756	-	12,992	6,510,748
Special . . . . .	1,198,570	-	310,098	1,508,668
Vocational . . . . .	18,043	-	-	18,043
Other . . . . .	111,576	-	-	111,576
Support services:				
Pupil . . . . .	796,510	-	34,534	831,044
Instructional staff . . . . .	519,304	-	23,139	542,443
Board of education . . . . .	42,519	-	-	42,519
Administration . . . . .	1,113,217	-	-	1,113,217
Fiscal . . . . .	467,097	13,068	-	480,165
Operations and maintenance . . . . .	1,171,854	-	498,646	1,670,500
Pupil transportation . . . . .	725,861	-	110,740	836,601
Operation of non-instructional services:				
Food service operations . . . . .	-	-	307,489	307,489
Other non-instructional services . . . . .	98,378	-	202,247	300,625
Extracurricular activities . . . . .	281,901	-	256,243	538,144
Facilities acquisition and construction . . . . .	-	-	8,589	8,589
Debt service:				
Principal retirement . . . . .	-	127,401	-	127,401
Interest and fiscal charges . . . . .	-	126,935	-	126,935
Bond issuance costs . . . . .	-	125,293	-	125,293
Accretion on capital appreciation bonds . . . . .	-	507,599	-	507,599
Total expenditures . . . . .	<u>13,042,586</u>	<u>900,296</u>	<u>1,764,717</u>	<u>15,707,599</u>
Excess of revenues over (under) expenditures . . . . .	<u>139,309</u>	<u>(104,174)</u>	<u>189,505</u>	<u>224,640</u>
<b>Other financing sources (uses):</b>				
Premium on bonds sold . . . . .	-	514,444	-	514,444
Sale of refunding bonds . . . . .	-	8,005,000	-	8,005,000
Transfers in . . . . .	-	50,680	-	50,680
Transfers (out) . . . . .	(50,680)	-	-	(50,680)
Payment to refunding bond escrow agent . . . . .	-	(8,394,151)	-	(8,394,151)
Total other financing sources (uses) . . . . .	<u>(50,680)</u>	<u>175,973</u>	<u>-</u>	<u>125,293</u>
Net change in fund balances . . . . .	88,629	71,799	189,505	349,933
<b>Fund balances at beginning of year (restated) . . . . .</b>	<b>7,332,174</b>	<b>1,358,367</b>	<b>1,171,860</b>	<b>9,862,401</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 7,420,803</b>	<b>\$ 1,430,166</b>	<b>\$ 1,361,365</b>	<b>\$ 10,212,334</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Net change in fund balances - total governmental funds</b>	\$	349,933
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 735,662	
Current year depreciation	<u>(568,934)</u>	
Total		166,728
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(100,403)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(56,837)	
Income taxes	1,892	
Intergovernmental	<u>(113,902)</u>	
Total		(168,847)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
G.O. Bonds	120,000	
Capital appreciation bonds	7,401	
Accreted interest on capital appreciation bonds	<u>507,599</u>	
Total		635,000
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(8,005,000)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	8,305,000	
Unamortized premiums on refunded bonds removed	959,951	
Unamortized deferred charges on refunded bonds removed	(748,637)	
Deferred gain on refundings	<u>(122,163)</u>	
Total		8,394,151
Premiums on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:		
		(514,444)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	258	
Accreted interest on capital appreciation bonds	(307,288)	
Amortization of bond premiums	24,222	
Amortization of deferred charges	<u>5,368</u>	
Total		(277,440)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,058,079
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,466,994)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		32,606
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		
		183,061
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(97,531)
<b>Change in net position of governmental activities</b>	<u>\$</u>	<u>(811,101)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 6,547,254	\$ 6,658,750	\$ 6,751,001	\$ 92,251
Income taxes. . . . .	1,836,638	1,950,000	1,950,994	994
Tuition. . . . .	646,428	681,000	690,211	9,211
Transportation fees. . . . .	19,768	12,000	11,821	(179)
Earnings on investments . . . . .	171,595	175,000	173,183	(1,817)
Rental income . . . . .	9,819	10,000	9,210	(790)
Contributions and donations . . . . .	-	-	100	100
Contract services. . . . .	93,076	95,000	97,832	2,832
Other local revenues . . . . .	99,663	102,000	118,854	16,854
Intergovernmental - state . . . . .	3,630,759	3,577,000	3,572,270	(4,730)
Total revenues . . . . .	<u>13,055,000</u>	<u>13,260,750</u>	<u>13,375,476</u>	<u>114,726</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,635,019	6,589,362	6,582,118	7,244
Special. . . . .	1,154,655	1,220,904	1,220,719	185
Vocational. . . . .	24,851	17,248	17,248	-
Other. . . . .	94,276	111,392	111,392	-
Support services:				
Pupil. . . . .	622,971	786,559	786,752	(193)
Instructional staff . . . . .	649,167	508,365	508,435	(70)
Board of education . . . . .	55,617	44,298	42,865	1,433
Administration. . . . .	1,164,192	1,125,890	1,125,114	776
Fiscal . . . . .	456,948	478,742	479,030	(288)
Operations and maintenance. . . . .	1,602,905	1,282,623	1,274,959	7,664
Pupil transportation . . . . .	902,336	743,079	741,171	1,908
Operation of non-instructional services:				
Other non-instructional services . . . . .	94,978	97,794	97,794	-
Extracurricular activities. . . . .	320,991	296,633	296,633	-
Total expenditures . . . . .	<u>13,778,906</u>	<u>13,302,889</u>	<u>13,284,230</u>	<u>18,659</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(723,906)</u>	<u>(42,139)</u>	<u>91,246</u>	<u>133,385</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's receipts. . . . .	-	(6,167)	(6,167)	-
Transfers (out). . . . .	(51,000)	(50,680)	(50,680)	-
Advances (out) . . . . .	-	(50,000)	-	50,000
Sale of capital assets . . . . .	5,000	5,000	-	(5,000)
Total other financing sources (uses) . . . . .	<u>(46,000)</u>	<u>(101,847)</u>	<u>(56,847)</u>	<u>45,000</u>
Net change in fund balance . . . . .	(769,906)	(143,986)	34,399	178,385
<b>Fund balance at beginning of year . . . . .</b>	<b>6,959,663</b>	<b>6,959,663</b>	<b>6,959,663</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>253,339</b>	<b>253,339</b>	<b>253,339</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 6,443,096</u></b>	<b><u>\$ 7,069,016</u></b>	<b><u>\$ 7,247,401</u></b>	<b><u>\$ 178,385</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020

	<b><u>Business-Type Activities - Non-Major Enterprise Fund</u></b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 89,565
Prepayments . . . . .	<u>90</u>
Total assets . . . . .	<u>89,655</u>
<b>Deferred outflows of resources:</b>	
Pension (Note 12) . . . . .	10,552
OPEB (Note 13) . . . . .	<u>6,930</u>
Total deferred outflows of resources . . . . .	<u>17,482</u>
<b>Liabilities:</b>	
Long-term liabilities:	
Net Pension liability (Note 12) . . . . .	60,123
Net OPEB liability (Note 13) . . . . .	<u>25,767</u>
Total long-term liabilities . . . . .	<u>85,890</u>
Total liabilities . . . . .	<u>85,890</u>
<b>Deferred inflows of resources:</b>	
Pension (Note 12) . . . . .	871
OPEB (Note 13) . . . . .	<u>7,157</u>
Total deferred inflows of resources . . . . .	<u>8,028</u>
<b>Net position:</b>	
Unrestricted . . . . .	<u>13,219</u>
Total net position . . . . .	<u>\$ 13,219</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Business-Type Activities - Non-Major Enterprise Fund</b>
<b>Operating revenues:</b>	
Tuition and fees . . . . .	\$ 56,616
Other . . . . .	380
Total operating revenues . . . . .	<u>56,996</u>
 <b>Operating expenses:</b>	
Personal services . . . . .	49,382
Materials and supplies . . . . .	<u>7,421</u>
Total operating expenses . . . . .	<u>56,803</u>
 Change in net position . . . . .	 193
 <b>Net position (deficit) at beginning of year . . . . .</b>	 <u>13,026</u>
 <b>Net position at end of year . . . . .</b>	 <u>\$ 13,219</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Business-Type Activities - Non-Major Enterprise Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from tuition and fees . . . . .	\$ 56,616
Cash received from other operations . . . . .	380
Cash payments for personal services. . . . .	(42,537)
Cash payments for materials and supplies . . . . .	(7,647)
	6,812
Net cash provided by operating activities . . . . .	6,812
Net increase in cash and cash equivalents . . . . .	6,812
<b>Cash and cash equivalents at beginning of year . .</b>	<b>82,753</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 89,565</u></b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 193
Changes in assets, deferred outflows, liabilities and deferred inflows:	
(Increase) in deferred outflows - pension . . . . .	(241)
(Increase) in deferred outflows - OPEB . . . . .	(5,104)
(Increase) in prepayments . . . . .	(5)
(Decrease) in accounts payable . . . . .	(226)
(Decrease) in pension obligation payable . . . . .	(2,579)
Increase in net pension liability . . . . .	9,639
Increase in net OPEB liability . . . . .	1,108
(Decrease) in deferred inflows - pension . . . . .	(758)
Increase in deferred inflows - OPEB . . . . .	4,785
	4,785
Net cash provided by operating activities. . . . .	<b><u>\$ 6,812</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2020

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 69,065
Total assets. . . . .	69,065
<b>Net position:</b>	
Restricted for individuals, organizations and other governments . . .	69,065
Total net position. . . . .	\$ 69,065

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Custodial</u>
<b>Additions:</b>		
From local sources:		
Earnings on investments . . . . .	\$ 133	\$ -
Extracurricular collections for OHSAA . . . . .	-	454
Total additions . . . . .	<u>133</u>	<u>454</u>
<b>Deductions:</b>		
Extracurricular disbursements to OHSAA . . . . .	-	454
Scholarships awarded . . . . .	<u>300</u>	<u>-</u>
Total deductions . . . . .	<u>300</u>	<u>454</u>
Change in net position . . . . .	(167)	-
<b>Net position at beginning of year (restated) . . . . .</b>	<u>69,232</u>	<u>-</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 69,065</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District employs 76 certified employees and 47 non-certified employees to provide services to approximately 1,092 students. The District cooperates with the Educational Service Center of Central Ohio, a separate entity, for curricular services.

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

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

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

*JOINTLY GOVERNED ORGANIZATIONS*

Metropolitan Educational Technology Association (META) Solutions

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

Tolles Career & Technical Center (TCTC)

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

*INSURANCE PURCHASING POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

**PROPRIETARY FUNDS**

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

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

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The private-purpose trust fund accounts for scholarship programs for students. The custodial fund accounts for collections for and payments to OHSAA.

**C. Basis of Presentation and Measurement Focus**

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

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

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

**D. Basis of Accounting**

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



**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 and Note 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 12 and Note 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except custodial). The specific timetable for fiscal year 2020 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for tax rate determination. The Union County Budget Commission waived this requirement for fiscal year 2020.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenue amount in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2020.
4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations included were legally enacted by the Board during fiscal year 2020.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements may not legally exceed budgeted appropriations at the fund level.

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

**F. Cash and Investments**

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

During fiscal year 2020, investments were limited to non-negotiable certificates of deposit and STAR Ohio. Nonparticipating investment contracts, such as non-negotiable certificates of deposit are reported at cost.

During fiscal year 2020, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$155,328 which includes \$41,809 assigned from other District funds.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**G. Inventory**

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

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

**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

**L. Fund Balance**

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

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

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

**M. Net Position**

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

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**N. Parochial Schools**

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

**O. Estimates**

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

**P. Interfund Activity**

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

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

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

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

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

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

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**S. Pensions/OPEB**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2020, the District has implemented GASB Statement No. 84, “*Fiduciary Activities*” and GASB Statement No. 90, “*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*”.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District’s financial statements.

GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

**B. Restatement of Net Position and Fund Balances**

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2019:

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance as previously reported	\$ 7,332,174	\$ 1,358,367	\$ 1,069,955	\$ 9,760,496
GASB Statement No. 84	<u>-</u>	<u>-</u>	<u>101,905</u>	<u>101,905</u>
Restated Fund Balance, at June 30, 2019	<u>\$ 7,332,174</u>	<u>\$ 1,358,367</u>	<u>\$ 1,171,860</u>	<u>\$ 9,862,401</u>



**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

	Governmental Activities
Net position as previously reported	\$ 4,244,815
GASB Statement No. 84	101,905
Restated net position at June 30, 2019	\$ 4,346,720

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$0. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$102,595.

**C. Deficit Fund Balances**

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 4,539
Title I	151

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At June 30, 2020, the District had \$2,245 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2020, the carrying amount of all District deposits was \$3,073,436 and the bank balance of all District deposits was \$3,159,660. Of the bank balance, \$434,935 was covered by the FDIC and \$2,724,725 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District's and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the District's financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2020, the District had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity 6 months or less</u>
<i>Amortized cost:</i>		
STAR Ohio	<u>\$ 7,101,563</u>	<u>\$ 7,101,563</u>

For the District, the weighted average maturity of investments is 1 day.

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

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

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Amortized cost:</i>		
STAR Ohio	<u>\$ 7,101,563</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,073,436
Investments	7,101,563
Cash on hand	<u>2,245</u>
Total	<u>\$ 10,177,244</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 10,018,614
Business-type activities	89,565
Private-purpose trust funds	<u>69,065</u>
Total	<u>\$ 10,177,244</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the fiscal year 2020 consisted of the following, as reported on the fund statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Bond retirement fund	<u>\$ 50,680</u>

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

All transfers made in fiscal year 2020 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated on the government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Union and Madison Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$859,979 in the general fund and \$86,198 in the bond retirement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2019 was \$769,905 in the general fund and \$82,805 in the bond retirement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 261,760,740	96.68	\$ 284,615,350	96.80
Public utility personal	<u>8,995,860</u>	<u>3.32</u>	<u>9,409,430</u>	<u>3.20</u>
Total	<u>\$ 270,756,600</u>	<u>100.00</u>	<u>\$ 294,024,780</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$38.80		\$38.30	
Bond	2.95		2.70	

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2020 consisted of property taxes, income taxes, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A list of the items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property Taxes	\$ 7,531,440
Income taxes	846,788
Intergovernmental	<u>77,035</u>
Total	<u>\$ 8,455,263</u>

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

**NOTE 8 - INCOME TAXES**

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

Income tax revenue is credited to the general fund in the amount of \$1,724,617 and permanent improvement fund (a nonmajor governmental fund) in the amount of \$574,872 for fiscal year 2020.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance			Balance
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 289,921	\$ -	\$ -	\$ 289,921
Construction in progress	285,976	221,905	(507,881)	-
Total capital assets, not being depreciated	<u>575,897</u>	<u>221,905</u>	<u>(507,881)</u>	<u>289,921</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,722,420	-	(219,010)	1,503,410
Buildings/improvements	19,249,129	770,572	(138,986)	19,880,715
Furniture/equipment	1,457,174	80,086	(11,642)	1,525,618
Vehicles	1,566,609	170,980	(119,701)	1,617,888
Total capital assets, being depreciated	<u>23,995,332</u>	<u>1,021,638</u>	<u>(489,339)</u>	<u>24,527,631</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,117,239)	(39,577)	193,637	(963,179)
Buildings/improvements	(6,007,890)	(353,064)	79,743	(6,281,211)
Furniture/equipment	(741,197)	(75,581)	7,077	(809,701)
Vehicles	(664,791)	(100,712)	108,479	(657,024)
Total accumulated depreciation	<u>(8,531,117)</u>	<u>(568,934)</u>	<u>388,936</u>	<u>(8,711,115)</u>
Governmental activities capital assets, net	<u>\$ 16,040,112</u>	<u>\$ 674,609</u>	<u>\$ (608,284)</u>	<u>\$ 16,106,437</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 161,553
Special	20,098
<u>Support services:</u>	
Pupil	33,808
Instructional staff	50,388
Administration	35,976
Operations and maintenance	108,336
Pupil Transportation	100,572
Operational of non-instructional services	33,308
Extracurricular	20,374
Food service operations	4,521
Total depreciation expense	<u>\$ 568,934</u>

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. The District's long-term obligations activity for fiscal year 2020 follows:

	Balance Outstanding <u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2020</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<b>General Obligation Bonds:</b>					
<u>Series 2011 Energy Conservation Bonds:</u>					
Current interest term bonds	\$ 350,000	\$ -	\$ (40,000)	\$ 310,000	\$ 40,000
<u>Series 2019 Refunding Bonds:</u>					
Current interest serial bonds	-	8,005,000	(80,000)	7,925,000	-
<u>Series 2012 Refunding Bonds:</u>					
Current interest serial bonds	8,305,000	-	(8,305,000)	-	-
Capital appreciation bonds	11,413	-	(7,401)	4,012	4,012
Accreted interest	576,697	307,288	(507,599)	376,386	376,386
Total G.O. Bonds	<u>9,243,110</u>	<u>8,312,288</u>	<u>(8,940,000)</u>	<u>8,615,398</u>	<u>420,398</u>
Net pension liability	<u>13,774,139</u>	<u>500,398</u>	<u>-</u>	<u>14,274,537</u>	<u>-</u>
Net OPEB liability/asset	<u>1,440,869</u>	<u>-</u>	<u>(116,790)</u>	<u>1,324,079</u>	<u>-</u>
Compensated absences:					
Severance	608,979	121,220	(66,757)	663,442	-
Vacation leave	<u>57,260</u>	<u>35,110</u>	<u>(22,898)</u>	<u>69,472</u>	<u>69,472</u>
Total compensated absences	<u>666,239</u>	<u>156,330</u>	<u>(89,655)</u>	<u>732,914</u>	<u>69,472</u>
Total	<u>25,124,357</u>	<u>\$ 8,969,016</u>	<u>\$ (9,146,445)</u>	<u>24,946,928</u>	<u>\$ 489,870</u>
Add: unamortized premium on bonds	<u>971,863</u>			<u>502,134</u>	
Total on statement of net position	<u>\$ 26,096,220</u>			<u>\$ 25,449,062</u>	
<b>Business-type activities:</b>					
Net pension liability	\$ 50,484	\$ 9,639	\$ -	\$ 60,123	\$ -
Net OPEB liabilities	<u>24,659</u>	<u>1,108</u>	<u>-</u>	<u>25,767</u>	<u>-</u>
Total on statement of net position	<u>\$ 75,143</u>	<u>\$ 10,747</u>	<u>\$ -</u>	<u>\$ 85,890</u>	<u>\$ -</u>

Compensated absences

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

Net pension liability

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

Net OPEB liability/asset

See Note 13 for further information on the District's net OPEB liability/asset. The District pays obligations related to employee compensation from the fund benefitting from their service.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Series 2011 Energy Conservation Improvement Bonds

On September 27, 2011, the District issued \$570,000 in current interest term bonds and capital appreciation bonds, par value \$5,000 (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate between 1.10% and 3.6% and are scheduled to mature in fiscal year 2027. Payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement fund. The balance of these bonds at June 30, 2020 in the amount of \$310,000 has been included on the statement of net position.

The capital appreciation bonds matured on December 1, 2018, (stated interest 31.174%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds was \$40,000.

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2021	\$ 40,000	\$ 9,520	\$ 49,520
2022	40,000	8,360	48,360
2023	45,000	7,128	52,128
2024	45,000	5,687	50,687
2025	45,000	4,113	49,113
2026 - 2027	<u>95,000</u>	<u>3,412</u>	<u>98,412</u>
Total	<u>\$ 310,000</u>	<u>\$ 38,220</u>	<u>\$ 348,220</u>

Series 2012 Refunding General Obligation Bonds

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

The refunding issue is comprised of both current interest bonds, par value \$8,580,000, and capital appreciation bonds par value \$54,994. The interest rates on the current interest bonds range from 1.00%-3.00%. The capital appreciation bonds mature each December 1, 2015 through 2020 (stated interest rate 71.65%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,565,000. Total accreted interest of \$376,386 for series 2012 has been included on the statement of net position at June 30, 2020. Principal and interest payments are made from the bond retirement fund. The current interest bonds of the Series 2012 Refunding General Obligation Bonds were refunded on October 16, 2019 through the issuance of the Series 2019 Refunding General Obligation bonds described on the following page. At June 30, 2020, there is no remaining obligation related to the Series 2012 Refunding General obligation Bonds – current interest bonds.

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

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Series 2019 Refunding General Obligation Bonds - On October 16, 2019, the District issued general obligation bonds (Series 2019 Refunding Bonds) to current refund the callable portion of the Series 2012 Current Interest Refunding Bonds (principal \$8,305,000; interest rate of 2.00% to 3.00%). Issuance proceeds of \$8,394,151 were used to purchase securities which were placed in an irrevocable trust to provide resources for the debt service payment due on December 1, 2019 when the refunded debt was called. The Series 2012 Refunding bonds have been defeased and removed from the statement of net position.

The refunding issue is comprised of current interest bonds, par value \$8,005,000. The interest rate on the current interest bonds range from 2.00% to 4.00%.

The net carrying amount of the old debt (including unamortized premiums and unamortized deferred charges removed upon refunding) exceeded the reacquisition price by \$122,163. This deferred gain on refunding is amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The unamortized portion of the deferred gain is reported as a deferred inflow on the statement of net position. The refunding was undertaken to reduce future debt service payments by \$383,119 resulting in a current economic gain of \$327,357.

Payments of principal and interest relating to the Series 2019 refunding bonds are recorded as expenditures in the bond retirement fund. Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2034.

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ -	\$ 201,500	\$ 201,500	\$ 4,012	\$ 510,988	\$ 515,000
2022	480,000	196,700	676,700	-	-	-
2023	500,000	186,900	686,900	-	-	-
2024	510,000	176,800	686,800	-	-	-
2025	520,000	166,500	686,500	-	-	-
2026 - 2030	2,755,000	659,950	3,414,950	-	-	-
2031 - 2035	3,160,000	242,550	3,402,550	-	-	-
Total	<u>\$ 7,925,000</u>	<u>\$ 1,830,900</u>	<u>\$ 9,755,900</u>	<u>\$ 4,012</u>	<u>\$ 510,988</u>	<u>\$ 515,000</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$19,963,384 (including available funds of \$1,430,166), an unvoted debt margin of \$294,025, and an unvoted energy conservation debt margin of \$2,336,223.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

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

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

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$40,162,316. Property insurance also includes \$1,000,000 additional expense coverage.

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

**B. Worker's Compensation**

The District participates in a group retrospective rating plan (GRP) for workers' compensation as established under Section 4123-17-73 of the Ohio Administrative Code. The Ohio SchoolComp Group Retrospective Rating Plan was established through the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO). The Executive Directors of the OSBA and OASBO, or their designees, serve as coordinators of the group retrospective rating program. Each year, the participating school districts pay an enrollment fee to the program to cover the costs of the administering the program. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP.

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

**C. Employee Medical Insurance**

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$238,486 for fiscal year 2020. Of this amount, \$14,459 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$824,145 for fiscal year 2020. Of this amount, \$136,936 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.05238910%	0.04922832%	
Proportion of the net pension liability current measurement date	<u>0.05264230%</u>	<u>0.05057781%</u>	
Change in proportionate share	<u>0.00025320%</u>	<u>0.00134949%</u>	
Proportionate share of the net pension liability	\$ 3,149,681	\$ 11,184,979	\$ 14,334,660
Pension expense	\$ 560,133	\$ 1,920,053	\$ 2,480,186

Of the District's total pension expense of \$2,480,186, \$2,466,994 is reported in the governmental activities and \$13,192 is reported in the business-type activities.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 79,869	\$ 91,065	\$ 170,934
Changes of assumptions	-	1,313,891	1,313,891
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	30,952	694,339	725,291
Contributions subsequent to the measurement date	<u>238,486</u>	<u>824,145</u>	<u>1,062,631</u>
Total deferred outflows of resources	<u>\$ 349,307</u>	<u>\$ 2,923,440</u>	<u>\$ 3,272,747</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 48,417	\$ 48,417
Net difference between projected and actual earnings on pension plan investments	40,431	546,658	587,089
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>3,687</u>	<u>-</u>	<u>3,687</u>
Total deferred inflows of resources	<u>\$ 44,118</u>	<u>\$ 595,075</u>	<u>\$ 639,193</u>

\$1,062,631 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Of the total contributions made subsequent to the measurement date, \$1,058,079 relates to governmental activities and \$4,552 relates to business-type activities.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ 113,226	\$ 1,005,054	\$ 1,118,280
2022	(66,760)	357,115	290,355
2023	(2,690)	28,650	25,960
2024	22,927	113,401	136,328
Total	<u>\$ 66,703</u>	<u>\$ 1,504,220</u>	<u>\$ 1,570,923</u>

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 4,413,829	\$ 3,149,681	\$ 2,089,535

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**FAIRBANKS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 16,345,600	\$ 11,184,979	\$ 6,816,248

**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. 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 2020, the District's surcharge obligation was \$33,241.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$33,241 for fiscal year 2020. Of this amount, \$33,241 is reported as pension and postemployment benefits payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.05282570%	0.04922832%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.05367630%</u>	<u>0.05057781%</u>	
Change in proportionate share	<u>0.00085060%</u>	<u>0.00134949%</u>	
Proportionate share of the net OPEB liability	\$ 1,349,846	\$ -	\$ 1,349,846
Proportionate share of the net OPEB asset	\$ -	\$ 837,690	\$ 837,690
OPEB expense	\$ 49,207	\$ (230,844)	\$ (181,637)

Of the District’s total OPEB expense of (\$181,637), (\$183,061) is reported in the governmental activities and \$1,424 is reported in the business-type activities.

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 19,815	\$ 75,942	\$ 95,757
Net difference between projected and actual earnings on OPEB plan investments	3,239	-	3,239
Changes of assumptions	98,591	17,608	116,199
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	46,674	119,350	166,024
Contributions subsequent to the measurement date	<u>33,241</u>	<u>-</u>	<u>33,241</u>
Total deferred outflows of resources	<u>\$ 201,560</u>	<u>\$ 212,900</u>	<u>\$ 414,460</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 296,552	\$ 42,620	\$ 339,172
Net difference between projected and actual earnings on OPEB plan investments	-	52,614	52,614
Changes of assumptions	75,640	918,431	994,071
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>3,111</u>	<u>-</u>	<u>3,111</u>
Total deferred inflows of resources	<u>\$ 375,303</u>	<u>\$ 1,013,665</u>	<u>\$ 1,388,968</u>

\$33,241 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Of the total contributions made subsequent to the measurement date, \$32,606 relates to governmental activities and \$635 relates to business-type activities. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (70,865)	\$ (174,344)	\$ (245,209)
2022	(30,113)	(174,344)	(204,457)
2023	(29,163)	(153,260)	(182,423)
2024	(29,319)	(145,864)	(175,183)
2025	(31,810)	(156,650)	(188,460)
Thereafter	<u>(15,714)</u>	<u>3,697</u>	<u>(12,017)</u>
Total	<u>\$ (206,984)</u>	<u>\$ (800,765)</u>	<u>\$ (1,007,749)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,638,457	\$ 1,349,846	\$ 1,120,366

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,081,500	\$ 1,349,846	\$ 1,705,876

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**Assumption Changes Since the Prior Measurement Date** - There were no changes in assumptions since the prior measurement date of June 30, 2018.

**Benefit Term Changes Since the Prior Measurement Date** - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$ 714,802	\$ 837,690	\$ 941,010

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 949,902	\$ 837,690	\$ 700,257

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 34,399
Net adjustment for revenue accruals	(274,886)
Net adjustment for expenditure accruals	190,955
Net adjustment for other sources/uses	6,167
Funds budgeted elsewhere *	10,154
Adjustment for encumbrances	121,840
GAAP basis	<u>\$ 88,629</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. The final adjustment was not material and is not reflected in the accompanying financial statements.

**NOTE 16 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 17 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	200,029
Current year offsets	<u>(200,029)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

**NOTE 18 - OTHER COMMITMENTS**

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

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General	\$ 115,217
Other governmental	<u>262,930</u>
Total	<u>\$ 378,147</u>

**NOTE 19 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Other governments entered into property tax abatement agreements with property owners under the Enterprise Zone Agreements ("EZAs") program within the taxing districts of the District. The EZA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, Union County and Millcreek Township have entered into an EZA. Under this agreement, the District's property taxes were reduced by \$18,687. The District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.05264230%	0.05238910%	0.05025990%	0.05063590%
District's proportionate share of the net pension liability	\$ 3,149,681	\$ 3,000,421	\$ 3,002,918	\$ 3,706,081
District's covered payroll	\$ 1,822,622	\$ 1,603,585	\$ 1,713,650	\$ 1,685,843
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.81%	187.11%	175.24%	219.84%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<b>2016</b>	<b>2015</b>	<b>2014</b>
0.04846240%	0.04826100%	0.04826100%
\$ 2,765,312	\$ 2,442,462	\$ 2,869,927
\$ 1,458,968	\$ 1,402,359	\$ 1,286,004
189.54%	174.17%	223.17%
69.16%	71.70%	65.52%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.05057781%	0.04922832%	0.04753937%	0.04552957%
District's proportionate share of the net pension liability	\$ 11,184,979	\$ 10,824,202	\$ 11,293,079	\$ 15,240,119
District's covered payroll	\$ 5,994,314	\$ 5,625,600	\$ 5,289,971	\$ 4,870,386
District's proportionate share of the net pension liability as a percentage of its covered payroll	186.59%	192.41%	213.48%	312.91%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.04397864%	0.04383762%	0.04383762%
\$ 12,154,410	\$ 10,662,826	\$ 12,701,489
\$ 4,621,864	\$ 4,478,992	\$ 4,539,246
262.98%	238.06%	279.81%
72.10%	74.70%	69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 238,486	\$ 246,054	\$ 216,484	\$ 239,911
Contributions in relation to the contractually required contribution	<u>(238,486)</u>	<u>(246,054)</u>	<u>(216,484)</u>	<u>(239,911)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,703,471	\$ 1,822,622	\$ 1,603,585	\$ 1,713,650
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 236,018	\$ 192,292	\$ 194,367	\$ 177,983	\$ 170,748	\$ 169,892
<u>(236,018)</u>	<u>(192,292)</u>	<u>(194,367)</u>	<u>(177,983)</u>	<u>(170,748)</u>	<u>(169,892)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,685,843	\$ 1,458,968	\$ 1,402,359	\$ 1,286,004	\$ 1,269,502	\$ 1,351,567
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 824,145	\$ 839,204	\$ 787,584	\$ 740,596
Contributions in relation to the contractually required contribution	<u>(824,145)</u>	<u>(839,204)</u>	<u>(787,584)</u>	<u>(740,596)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,886,750	\$ 5,994,314	\$ 5,625,600	\$ 5,289,971
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 681,854	\$ 647,061	\$ 582,269	\$ 590,102	\$ 600,328	\$ 623,438
<u>(681,854)</u>	<u>(647,061)</u>	<u>(582,269)</u>	<u>(590,102)</u>	<u>(600,328)</u>	<u>(623,438)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,870,386	\$ 4,621,864	\$ 4,478,992	\$ 4,539,246	\$ 4,617,908	\$ 4,795,677
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.05367630%	0.05282570%	0.05083790%	0.05116364%
District's proportionate share of the net OPEB liability	\$ 1,349,846	\$ 1,465,528	\$ 1,364,356	\$ 1,458,353
District's covered payroll	\$ 1,822,622	\$ 1,603,585	\$ 1,713,650	\$ 1,685,843
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.06%	91.39%	79.62%	86.51%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.05057781%	0.04922832%	0.04753937%	0.04552957%
District's proportionate share of the net OPEB liability/(asset)	\$ (837,690)	\$ (791,049)	\$ 1,854,811	\$ 2,434,933
District's covered payroll	\$ 5,994,314	\$ 5,625,600	\$ 5,289,971	\$ 4,870,386
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.97%	14.06%	35.06%	49.99%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.33%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 33,241	\$ 40,602	\$ 35,122	\$ 26,948
Contributions in relation to the contractually required contribution	<u>(33,241)</u>	<u>(40,602)</u>	<u>(35,122)</u>	<u>(26,948)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,703,471	\$ 1,822,622	\$ 1,603,585	\$ 1,713,650
Contributions as a percentage of covered payroll	1.95%	2.23%	2.19%	1.57%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 25,244	\$ 35,873	\$ 23,345	\$ 20,316	\$ 26,955	\$ 39,651
<u>(25,244)</u>	<u>(35,873)</u>	<u>(23,345)</u>	<u>(20,316)</u>	<u>(26,955)</u>	<u>(39,651)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,685,843	\$ 1,458,968	\$ 1,402,359	\$ 1,286,004	\$ 1,269,502	\$ 1,351,567
1.50%	2.46%	1.66%	1.58%	2.12%	2.93%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,886,750	\$ 5,994,314	\$ 5,625,600	\$ 5,289,971
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 45,339	\$ 45,392	\$ 46,179	\$ 47,957
-	-	(45,339)	(45,392)	(46,179)	(47,957)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,870,386	\$ 4,621,864	\$ 4,478,992	\$ 4,539,246	\$ 4,617,908	\$ 4,795,677
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.





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

January 27, 2021

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **Fairbanks Local School District**, Union County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2021, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We further noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
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***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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, OH

# OHIO AUDITOR OF STATE KEITH FABER



**FAIRBANKS LOCAL SCHOOL DISTRICT**

**UNION COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/23/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)