



Dave Yost • Auditor of State

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Fayette Local School District
Fulton County
400 East Gamble Road
Fayette, Ohio 43521-9462

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2015, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio, as of June 30, 2015, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Classroom Facilities Maintenance funds for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to the Management's Discussion and Analysis presented on pages 3-8 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 4, 2016

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED**

The discussion and analysis of the Fayette 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, 2015. 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 notes to enhance their understanding of the District's financial performance.

Highlights

Highlights for fiscal year 2015 are as follows:

In total, net position increased \$691,528 from prior fiscal year. There was a 33 percent decrease in receipts (excluding special items) and a 37 percent decrease in expenses in fiscal year 2015. These decreases were attributed to the Straight A Grant activity in 2014.

General revenues accounted for 80 percent of total revenues (excluding special items) and reflect the District's significant dependence on property taxes and unrestricted state entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net position and the 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 a greater 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 a single column.

For the District, the General Fund is the most significant fund. The General Fund and the Classroom Facilities Maintenance Fund are the District's major funds.

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities, both reported on the cash basis, reflect how the District performed financially during fiscal year 2015. These statements are reported on a cash basis of accounting which reflects receipts and disbursements when cash is received or disbursed.

These statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader whether the financial position of the District, as a whole, has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes 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.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

In the cash basis statement of net position and the statement of activities, the District discloses a single type of activity, its governmental activities which includes all of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund and the Classroom Facilities Maintenance Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend for spending in future periods. These funds are reported using the cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the cash basis of accounting.

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2015 compared to fiscal year 2014.

**Table 1
Net Position – Cash Basis
Governmental Activities**

	2015	2014
<u>Assets:</u>		
Cash and Cash Equivalents	\$3,308,655	\$2,617,127
<u>Net Position:</u>		
Restricted	1,025,532	911,563
Unrestricted	2,283,123	1,705,564
Total	\$3,308,655	\$2,617,127

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2015 compared to fiscal year 2014.

**Table 2
Change in Net Position – Cash Basis
Governmental Activities**

	2015	2014
<u>Receipts:</u>		
Program Receipts:		
Charges for Services and Sales	\$339,517	\$298,529
Operating Grants, Contributions and Interest	764,947	3,787,618
Total Program Receipts	1,104,464	4,086,147
General Receipts:		
Property Taxes	1,444,981	1,329,676
Income Taxes	462,125	443,539
Grants and Entitlements	2,813,855	2,792,468
Gifts and Donations	7,152	4,083
Investment Earnings	3,876	12,120
Loan Proceeds		76,775
Miscellaneous	31,409	33,290
Refund of Prior Year Expenditures	13,141	19,915
Total General Receipts	4,776,539	4,711,866
Total Receipts	5,881,003	8,798,013
<u>Disbursements:</u>		
Instruction	2,906,455	2,944,243
Support Services:		
Pupils	301,641	262,566
Instructional Staff	242,880	385,329
Board of Education	10,871	13,975
Administration	362,434	344,496
Fiscal	214,957	177,828
Operation and Maintenance of Plant	417,416	408,329
Pupil Transportation	229,742	220,809
Central	41,344	170,956
Non-Instructional	189,379	165,031
Extracurricular Activities	211,979	199,559
Intergovernmental		2,915,901
Capital Outlay	1,380	82,317
Debt Service:		
Principal	235,011	250,000
Interest and Fiscal Charges	109,931	116,381
Total Disbursements	5,475,420	8,657,720
Special Item – Wind Turbine Settlement	285,945	
Increase in Net Position	\$691,528	\$140,293

Program receipts account for 19 percent of total receipts (excluding special items) and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Overall revenues (excluding special items) decreased \$2,917,010 (33 percent) and overall expenditures decreased \$3,182,300 (37 percent) primarily due to the completion of the Straight A Grant program.

The major program disbursements for governmental activities are for instruction, which accounts for 53 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 14 percent of governmental disbursements. Maintenance of the District's facilities also represents significant disbursements of 8 percent. The remaining 25 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, Cash basis, reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Instruction	\$2,906,455	\$2,327,300	\$2,944,243	\$2,389,464
Support Services:				
Pupils	301,641	301,641	262,566	262,566
Instructional Staff	242,880	59,028	385,329	106,915
Board of Education	10,871	10,871	13,975	13,975
Administration	362,434	362,434	344,496	344,496
Fiscal	214,957	213,357	177,828	175,370
Operation and Maintenance of Plant	417,416	417,155	408,329	408,169
Pupil Transportation	229,742	197,299	220,809	208,327
Central	41,344	12,142	170,956	117,694
Non-Instructional	189,379	7,955	165,031	(3,527)
Extracurricular Activities	211,979	115,452	199,559	99,426
Intergovernmental			2,915,901	
Capital Outlay	1,380	1,380	82,317	82,317
Debt Service:				
Principal	235,011	235,011	250,000	250,000
Interest and Fiscal Charges	109,931	109,931	116,381	116,381
Total Disbursements	<u>\$5,475,420</u>	<u>\$4,370,956</u>	<u>\$8,657,720</u>	<u>\$4,571,573</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 80 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 80 percent. The remaining 20 percent are derived from tuition and fees, specific grants, and donations.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The General Fund's balance increased \$352,470 or 20 percent from the prior fiscal year. The increase is a result of an increase in property and local tax revenues of \$170,873 or 17 percent.

The Classroom Facilities Fund's balance increased \$356,986 or 90 percent from the prior fiscal year. The Increase is primarily a result of a wind turbine settlement (special item) for \$285,945 and the transfer of leftover monies from the Building Fund for \$97,031.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2015, the District amended its General Fund budget as needed.

Original budgeted revenues and the final budgeted revenues and other financing sources varied by 4 percent. The final budgeted revenues and other financing sources and the actual revenues and other financing sources varied by 2 percent.

Original to final budgeted disbursements varied by 6 percent. Actual were 3 percent less than the final budgeted amounts. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt Administration

The District's outstanding debt at fiscal yearend consisted of general obligation bonds and loan, in the amount of \$4,676,955.

For further information regarding the District's long-term obligations, see the notes to the basic financial statements.

Current Issues

In April 2013, a blade from the District's wind turbine fell off, which caused the wind turbine to be out of the power generating mode for the District. In September 2014, a settlement was agreed to between the manufacturer, installer, and the District. The settlement included a lump sum payment of \$285,945 and the removal of the entire turbine. The District received a solar panel to replace the decommissioned wind turbine. It is located on the same base as the wind turbine once stood. It provides minimal energy savings to the District. The solar panel was part of the settlement and was at no cost to the District for material or installation.

The Board of Education has continued with the virtual academy and has grown with the Straight A Grant initiative. As the administrative team for NOVA, we now help educate other students in their home district. This offers more choices of class selection and maintains quality teachers to aid in the instruction. The concept has flourished throughout the State of Ohio and we now have multiple other districts outside of the original 16 districts involved in NOVA.

The Board of Education has decided to move to a one to one initiative with Chromebooks for students. In October 2015, each student in grades 7-12 will have their own Chromebook. The District will also be moving to Chrome and Chrome drive through GAFE (Google Applications for Education). NWOCA will provide the training and will help staff and students through the transition.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The District is looking to start an expanded work study area. This will include an addition to our current facility. The students will be able to learn about the operation of machines for future factory type settings.

Long term planning continues on the development of the outside athletic fields. This plan consists of track, baseball and softball fields, and a concession and restroom facility.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Kelly Bentley, Treasurer, Fayette Local School District, 400 East Gamble Road, Fayette, Ohio 43521-9462.

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,308,655</u>
Net Position:	
Restricted for Debt Service	\$ 207,013
Restricted for Other Purposes	818,519
Unrestricted	<u>2,283,123</u>
<i>Total Net Position</i>	\$ <u>3,308,655</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Receipts</u> <u>Charges for</u> <u>Services and</u> <u>Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in Net</u> <u>Position</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 2,215,282	\$ 133,723	\$ 126,105	\$ (1,955,454)
Special	570,914	26,601	250,108	(294,205)
Vocational	116,349		42,618	(73,731)
Other	3,910			(3,910)
Support Services:				
Pupils	301,641			(301,641)
Instructional Staff	242,880		183,852	(59,028)
Board of Education	10,871			(10,871)
Administration	362,434			(362,434)
Fiscal	214,957		1,600	(213,357)
Operation and Maintenance of Plant	417,416	261		(417,155)
Pupil Transportation	229,742		32,443	(197,299)
Central	41,344		29,202	(12,142)
Operation of Non-Instructional Services	189,379	87,405	94,019	(7,955)
Extracurricular Activities	211,979	91,527	5,000	(115,452)
Capital Outlay	1,380			(1,380)
Debt Service:				
Principal	235,011			(235,011)
Interest and Fiscal Charges	109,931			(109,931)
Totals	\$ <u>5,475,420</u>	\$ <u>339,517</u>	\$ <u>764,947</u>	<u>(4,370,956)</u>
General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				1,206,385
Property Taxes, Levied for Debt Service				222,053
Property Taxes, Levied for Facilities Maintenance				16,543
Income Taxes				462,125
Grants and Entitlements not Restricted to Specific Programs				2,813,855
Gifts and Donations				7,152
Investment Earnings				3,876
Miscellaneous				31,409
Refund of Prior Year Expenditures				13,141
Special Item - Wind Turbine Settlement				285,945
Total General Receipts and Special Item				<u>5,062,484</u>
Change in Net Position				691,528
Net Position Beginning of Year				<u>2,617,127</u>
Net Position End of Year				\$ <u>3,308,655</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,077,685</u>	\$ <u>754,320</u>	\$ <u>476,650</u>	\$ <u>3,308,655</u>
Fund Balances:				
Restricted		\$ 754,320	\$ 271,212	\$ 1,025,532
Committed		.	205,438	205,438
Assigned	\$ 32,760			32,760
Unassigned	<u>2,044,925</u>			<u>2,044,925</u>
<i>Total Fund Balances</i>	<u>\$ 2,077,685</u>	<u>\$ 754,320</u>	<u>\$ 476,650</u>	<u>\$ 3,308,655</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund	Classroom Facilities Maintenance Fund	All Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and Other Local Taxes	\$ 1,206,385	\$ 16,543	\$ 222,053	\$ 1,444,981
Income Tax	462,125			462,125
Intergovernmental	2,876,992	18,018	680,708	3,575,718
Interest	3,852		663	4,515
Tuition and Fees	160,324			160,324
Rent	261			261
Extracurricular Activities	25,208		66,319	91,527
Gifts and Donations	7,152		1,500	8,652
Customer Sales and Services			77,350	77,350
Miscellaneous	25,554		16,855	42,409
<i>Total Receipts</i>	<u>4,767,853</u>	<u>34,561</u>	<u>1,065,448</u>	<u>5,867,862</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,185,738		29,544	2,215,282
Special	324,242		246,672	570,914
Vocational	116,349			116,349
Other	3,910			3,910
Support Services:				
Pupils	301,641			301,641
Instructional Staff	182,313		60,567	242,880
Board of Education	10,871			10,871
Administration	362,434			362,434
Fiscal	207,091	429	7,437	214,957
Operation and Maintenance of Plant	352,697	64,719		417,416
Pupil Transportation	197,299		32,443	229,742
Central	12,142		29,202	41,344
Operation of Non-Instructional Services	7,444		181,935	189,379
Extracurricular Activities	132,997		78,982	211,979
Capital Outlay			1,380	1,380
Debt Service:				
Principal	25,011		210,000	235,011
Interest	1,492		108,439	109,931
<i>Total Disbursements</i>	<u>4,423,671</u>	<u>65,148</u>	<u>986,601</u>	<u>5,475,420</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>344,182</u>	<u>(30,587)</u>	<u>78,847</u>	<u>392,442</u>
Other Financing Sources (Uses):				
Transfers In		97,031		97,031
Refund of Prior Year Expenditures	8,288	4,597	256	13,141
Transfers Out			(97,031)	(97,031)
<i>Total Other Financing Sources (Uses)</i>	<u>8,288</u>	<u>101,628</u>	<u>(96,775)</u>	<u>13,141</u>
Special Item:				
Wind Turbine Settlement		285,945		285,945
<i>Net Change in Fund Balances</i>	352,470	356,986	(17,928)	691,528
Fund Balances at Beginning of Year	1,725,215	397,334	494,578	2,617,127
<i>Fund Balances at End of Year</i>	<u>\$ 2,077,685</u>	<u>\$ 754,320</u>	<u>\$ 476,650</u>	<u>\$ 3,308,655</u>

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 1,030,999	\$ 1,201,388	\$ 1,206,385	\$ 4,997
Income Tax	421,362	421,362	462,125	40,763
Intergovernmental	2,835,524	2,835,524	2,876,992	41,468
Interest	15,000	15,000	3,852	(11,148)
Tuition and Fees	127,550	127,550	160,324	32,774
Rent	1,000	1,000	261	(739)
Gifts and Dontations	10,000	10,000	6,882	(3,118)
Miscellaneous	25,000	25,000	25,554	554
<i>Total Receipts</i>	<u>4,466,435</u>	<u>4,636,824</u>	<u>4,742,375</u>	<u>105,551</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,002,149	2,167,425	2,159,423	8,002
Special	324,161	338,034	324,242	13,792
Vocational	120,540	119,203	117,341	1,862
Other	2,500	2,500	3,910	(1,410)
Support Services:				
Pupils	311,138	309,775	301,784	7,991
Instructional Staff	200,278	222,452	179,840	42,612
Board of Education	34,375	19,095	10,871	8,224
Administration	342,495	380,345	362,918	17,427
Fiscal	203,178	207,709	207,961	(252)
Operation and Maintenance of Plant	364,779	369,105	353,070	16,035
Pupil Transportation	203,754	203,754	197,349	6,405
Central	19,772	12,142	12,142	
Operation of Non-Instructional Services	4,000	11,000	7,444	3,556
Extracurricular Activities	129,600	139,448	132,997	6,451
Debt Service:				
Principal	25,011	25,011	25,011	
Interest	1,492	1,492	1,492	
<i>Total Disbursements</i>	<u>4,289,222</u>	<u>4,528,490</u>	<u>4,397,795</u>	<u>130,695</u>
<i>Excess of Receipts Over Disbursements</i>	<u>177,213</u>	<u>108,334</u>	<u>344,580</u>	<u>236,246</u>
Other Financing Sources:				
Refund of Prior Year Expenditures		8,288	8,288	
<i>Net Change in Fund Balance</i>	<u>177,213</u>	<u>116,622</u>	<u>352,868</u>	<u>236,246</u>
Fund Balance at Beginning of Year	1,664,787	1,664,787	1,664,787	
Prior Year Encumbrances Appropriated	27,610	27,610	27,610	
<i>Fund Balance at End of Year</i>	<u>\$ 1,869,610</u>	<u>\$ 1,809,019</u>	<u>\$ 2,045,265</u>	<u>\$ 236,246</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - (BUDGETARY BASIS)
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 15,994	\$ 15,994	\$ 16,543	\$ 549
Intergovernmental	18,202	18,202	18,018	(184)
Miscellaneous	300,000	300,000	285,945	(14,055)
<i>Total Receipts</i>	<u>334,196</u>	<u>334,196</u>	<u>320,506</u>	<u>(13,690)</u>
Disbursements:				
Current:				
Support Services:				
Fiscal	375	375	429	(54)
Operation and Maintenance of Plant	91,907	91,907	64,719	27,188
<i>Total Disbursements</i>	<u>92,282</u>	<u>92,282</u>	<u>65,148</u>	<u>27,134</u>
<i>Excess of Receipts Over Disbursements</i>	<u>241,914</u>	<u>241,914</u>	<u>255,358</u>	<u>13,444</u>
Other Financing Sources:				
Transfers In		97,031	97,031	
Refund of Prior Year Expenditures			4,597	4,597
<i>Total Other Financing Sources</i>		<u>97,031</u>	<u>101,628</u>	<u>4,597</u>
<i>Net Change in Fund Balance</i>	241,914	338,945	356,986	18,041
Fund Balance at Beginning of Year	390,937	390,937	390,937	
Prior Year Encumbrances Appropriated	6,397	6,397	6,397	
<i>Fund Balance at End of Year</i>	<u>\$ 639,248</u>	<u>\$ 736,279</u>	<u>\$ 754,320</u>	<u>\$ 18,041</u>

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>101,171</u>	\$ <u>94,787</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		\$ <u>94,787</u>
Net Position:		
Held in Trust for Scholarships	\$ <u>101,171</u>	

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ <u>325</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>17,626</u>
<i>Change in Net Position</i>	(17,301)
Net Position Beginning of Year	<u>118,472</u>
<i>Net Position End of Year</i>	<u>\$ <u>101,171</u></u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Fayette Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and federal guidelines.

The District is the 598th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 12 classified employees, 34 certified teaching personnel, and 8 administrative employees who provide services to 422 students and other community members.

The Reporting Entity

A. Primary Government

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

C. Jointly Governed Organizations and Purchasing Pools

The District is associated with four jointly governed organizations, three insurance pools, and one related organization. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Northern Buckeye Health Plan Employee Insurance Benefits Program, the Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, and the Normal Memorial Library. These organizations are presented in Notes 15, 16, and 17 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

1. 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 statement of net position presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

2. Fund Financial Statements

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

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The General Fund and Classroom Facilities Maintenance Fund are the District's major governmental funds:

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

Classroom Facilities Maintenance Fund – The Classroom Facilities Maintenance Fund is used to account for tax revenues and expenses for the maintenance of the instructional buildings and grounds.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

2. Fiduciary Funds

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Although the Ohio Administrative Code § 117-2-03(B) requires that the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are an alternative tax budget (consists of a five-year forecast and debt schedules), the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level in all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below these levels are made by the District's Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Investments

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

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 that are not purchased from the pool are reported as investments.

During fiscal year 2015, investments included repurchase agreements, federal agency securities, and money market mutual funds. Investments are reported at cost, except for the money market mutual funds. The District's money market mutual funds are recorded at the amounts reported by State Bank Wealth Management at June 30, 2015.

The Board of Education allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2015 was \$3,852, which includes \$ 693 assigned from other District funds.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Compensated Absences

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Pensions

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

J. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

K. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

L. Net Position

Net position are reported as restricted when there are limitations imposed on their 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. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net positions are available. There are no amounts restricted by enabling legislation.

M. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance (Continued)

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

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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 can be used.

N. 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 management and are either unusual in nature or infrequent in occurrence. During 2015, the District received a settlement in the amount of \$285,945 for the removal and reacquisition of the District's damaged wind turbine by the original manufacturer and installer. This amount was classified as a special item on both the fund and government-wide financial statements. The District had no extraordinary items during 2015.

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budgetary Basis presented for the General Fund and Classroom Facilities Maintenance Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a restricted, committed or assigned fund balance (cash basis) and certain funds included in the General Fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budget basis statement for the General and Classroom Facilities Maintenance Funds:

<u>Net Change in Fund Balance</u>	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>
Cash Basis (as reported)	\$352,470	\$356,986
Outstanding Encumbrances	(5,092)	
Perspective Difference:		
Activity of Funds Reclassified for Cash Reporting Purposes	5,490	
Budgetary Basis	<u>\$352,868</u>	<u>\$356,986</u>

5. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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 through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if trading requirements have been met.

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

At year end, the District had \$1,870 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk for deposits 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. At year end, \$904,846 of the District's bank balance of \$1,505,567 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2015, the District had the following investments.

	Cost	Maturity
Federal Farm Credit Bank Bonds	\$48,874	08/15/2017
Federal Home Loan Bank Bonds	79,165	09/11/2015
Federal Home Loan Bank Bonds	26,234	01/06/2016
Federal Home Loan Bank Bonds	150,037	11/28/2016
Federal Home Loan Bank Bonds	101,176	06/09/2017
Federal Home Loan Bank Bonds	200,100	11/13/2018
Federal National Mortgage Association Notes	74,925	10/30/2017
Money Market Mutual Funds	135,305	Average 32 Days
Repurchase Agreement	1,208,205	
	\$2,024,021	

Interest rate risk - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk - The Federal Farm Credit Bonds, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds and the money market mutual funds carry a rating of Aaa by Moody's. The District has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. Repurchase agreements are limited to US Treasury bills, bonds, notes or any other obligation or security issued by the US Treasury or any other obligation guaranteed as to principal and interest by the US bonds, notes, debentures, or any other obligation or security issued by a federal government agency.

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 in the repurchase agreement, Federal Farm Credit Bonds, Federal National Mortgage Association Notes, and Federal Home Loan Bank Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however, state statute limits investments in commercial paper and bankers' acceptance to 25 percent of the interim monies available for investment at any one time. The following table indicates the percentage of each investment to the District's total portfolio.

	Cost	Percentage of Portfolio
Federal Farm Credit Bank Bonds	\$48,874	2.41%
Federal Home Loan Bank Bonds	556,712	27.51%
Federal National Mortgage Association Notes	74,925	3.70%

6. INCOME TAX

In 1991, the voters of the Fayette Local School District passed a 1.00 percent continuing school income tax on wages earned by residents of the District. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes for 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2012 and are collected in 2015 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 Fulton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$39,551,440	87%	\$60,226,970	91%
Industrial/Commercial	3,606,380	8%	3,224,320	5%
Public Utility	2,483,140	5%	2,552,880	4%
Total Assessed Value	<u>\$45,640,960</u>	<u>100%</u>	<u>\$66,004,170</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$55.30		\$55.15	

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at 6/30/2014	Additions	Reductions	Balance at 6/30/2015
Governmental Activities				
Land	\$321,608			\$321,608
Construction in Progress	873,835		\$873,835	
Land Improvements	36,276			36,276
Buildings and Building Improvements	16,853,660			16,853,660
Furniture, Fixtures, and Equipment	781,716	\$81,908	5,854	857,770
Vehicles	610,053	18,611		628,664
Total Capital Assets	<u>\$19,477,148</u>	<u>\$100,519</u>	<u>\$879,689</u>	<u>\$18,697,978</u>

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with the Ohio School Plan for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

The District joined together with other school districts in Ohio to participate in the Ohio School Plan (the Plan), a public entity insurance purchasing pool (Note 16). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI), a self insurance pool (Note 16), for insurance benefits to employees (Note 16). The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northern Division of Optimal Health Initiative (OHI) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Executive Director of the NBHP coordinates the management and administration of the program.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

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.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$73,624 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

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

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

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$286,396 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, 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. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$837,738	\$4,893,569	\$5,731,307
Proportion of the Net Pension			
Liability	0.016553%	0.02011872%	

FAYETTE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

10. DEFINED PENSION BENEFIT PLANS (Continued)

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, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 <u>100.00 %</u>	

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$1,195,203	\$837,738	\$537,079

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
School District's proportionate share of the net pension liability	\$7,005,678	\$4,893,569	\$3,107,436

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2015, three members of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

11. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$24,493, and \$19,760, respectively; 100 percent has been contributed for fiscal years 2015, 2014, and 2013.

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employee Retirement System

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

Medicare Part B Plan – The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2015 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014 and 2013 was \$4,380, \$5,854, and \$4,489, respectively; 92 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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

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

The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$13,561, \$9,676 and \$8,382, respectively; 33 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employee Retirement System (Continued)

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty days for teachers and two hundred thirty days for all other employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of sixty days for teachers and sixty days for all other employees.

B. Health Care Benefits

The District provides medical, dental, vision, and life insurance to most employees through the OHI Employee Insurance Benefits Program.

C. Separation Benefits

The District provides a separation benefit to eligible certified employees. A full-time employee eligible to retire under the provisions of the State Teachers Retirement System that has five years of service with the District will be paid \$500 for each year served in the first year eligible to retire, if notification of pending retirement is submitted in writing to the Board no later than April 1 for retirement effective at the end of the current school year or prior to the following school year.

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2015, the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 06/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/2015</u>	<u>Amounts Due in One Year</u>
Governmental Activities					
2014 Bus Promissory Note 2.25%	\$76,775		\$25,011	\$51,764	\$25,586
General Obligation Bonds					
FY 2013 Refunding Bonds					
Serial A Bonds	620,000			620,000	
Term A Bonds	3,110,000		60,000	3,050,000	60,000
Capital Appreciation A Bonds	114,994			114,994	
Accretion of Capital Appreciation A Bonds	129,222	\$129,226		258,448	
Term B Bonds	380,000		10,000	370,000	10,000
Capital Appreciation B Bonds	60,000			60,000	
Accretion of Capital Appreciation Bonds	11,250	11,250		22,500	
FY2006 General Obligation Bonds					
Capital Appreciation Bonds 12.76%	89,999		47,778	42,221	42,221
Accretion of Capital Appreciation Bonds	159,825	19,425	92,222	87,028	87,028
Total General Obligation Bonds	<u>\$4,752,065</u>	<u>\$159,901</u>	<u>\$235,011</u>	<u>\$4,676,955</u>	<u>\$224,835</u>

On June 18, 2014, the District signed a \$76,775 promissory note with the State Bank and Trust Company for the purchase of a new school bus. The interest rate on the note is 2.25 percent and the note will mature on June 18, 2017.

FY 2013 Refunding Bonds - On April 29, 2013, the District issued \$4,399,994 in bonds to refund the 2006 school improvement serial bonds, 2006 general obligation term bonds. The series A bond issue included serial, term, and capital appreciation bonds, in the original amount of \$725,000, \$3,110,000, and \$114,994, respectively. The series B bond issue included term and capital appreciation bonds, in the original amount of \$390,000 and \$60,000, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2035. The bonds will be retired through the Bond Retirement debt service fund.

The Series 2013A Serial Bonds bear interest at the rates below per year and will mature in the principal amounts and on the following dates:

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$205,000	2.000%
2021	205,000	2.000%
2022	210,000	2.000%

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The 0.75% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2015, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption on December 1, 2014 in the principal amount of \$60,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$60,000) will be paid at stated maturity on December 1, 2015.

The 2.125% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2024, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2023 in the principal amount of \$215,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$225,000) will be paid at stated maturity on December 1, 2024.

The 2.4% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2026, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2025 in the principal amount of \$225,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$230,000) will be paid at stated maturity on December 1, 2026.

The 2.625% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2028, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2027 in the principal amount of \$235,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$245,000) will be paid at stated maturity on December 1, 2028.

The 3.25% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2030, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2029 in the principal amount of \$250,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$255,000) will be paid at stated maturity on December 1, 2030.

The 3.125% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2032, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2031 in the principal amount of \$265,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$275,000) will be paid at stated maturity on December 1, 2032.

The 3.25% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2034, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2033 in the principal amount of \$280,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$290,000) will be paid at stated maturity on December 1, 2034.

The 2013 capital appreciation bonds series A were issued in the aggregate original principal amount of \$114,494 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

Maturity Date (December 1)	Original Principal Amount	Accreted Value at Maturity
2016	\$48,536	\$205,000
2017	31,518	200,000
2018	20,978	200,000
2019	13,962	200,000

The annual accretion of interest was \$129,226. Total accreted interest of \$258,448 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

The 2.125% Series 2013B Current Interest Term Bonds maturing on or after December 1, 2020, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2015	\$10,000
2016	10,000
2017	10,000
2018	10,000
2019	10,000

The remaining principal amount of such Series 2013B Current Interest Term Bonds (\$10,000) will be paid at stated maturity on December 1, 2020.

The 3% Series 2013B Current Interest Term Bonds maturing on or after December 1, 2023, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2022 in the principal amount of \$150,000. The remaining principal amount of such Series 2013B Current Interest Term Bonds (\$160,000) will be paid at stated maturity on December 1, 2023.

The 2013 capital appreciation bond series B was issued in the aggregate original principal amount of \$60,000 and mature on December 1, 2020, has an original principal amount of \$60,000 and matures with the accreted value at maturity of \$150,000.

The annual accretion of interest was \$11,250. Total accreted interest of \$22,500 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

FY 2006 School Improvement Refunding Bonds - On July 13, 2005, the District issued \$1,475,000 in general obligation bonds to partially refund bonds previously issued in fiscal year 1998 for renovating, repairing, and improving existing school buildings. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2024. The bonds will be retired through the Bond Retirement debt service fund. The District received a significant settlement from a lawsuit in fiscal year 2007. These monies were used to defease \$1,025,000 of the outstanding 2006 Series bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. As of June 30, 2015, \$725,000 of the refunded bonds was still outstanding. The serial bonds were paid off with the 2013 refunding bond issue. During fiscal year 2013, the District defeased the remainder of these bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. As of June 30, 2015, \$450,000 of the refunded bonds was still outstanding.

FY 2006 General Obligation Bonds - On March 24, 2006, the District issued \$4,884,999, in general obligation bonds for constructing a school building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$845,000, \$3,950,000, and \$89,999, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2028. During fiscal year 2013 the District defeased a portion of these bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. The total debt service payments were reduced by \$277,216 and a net present value savings of \$213,302. As of June 30, 2015, \$3,950,000 of the refunded bonds were still outstanding. The remaining bonds will be retired through the Bond Retirement debt service fund.

The 2006 General Obligation Capital Appreciation Bonds were issued in the aggregate original principal amount of \$89,999 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date (December 1)</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2015	\$42,221	\$140,000

The annual accretion of interest was \$19,425. Total accreted interest of \$87,028 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

The District's overall debt margin was \$5,940,375 with an unvoted debt margin of \$66,004 at June 30, 2015.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2015 are as follows:

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

Year Ending June 30,	Serial	Term	Capital Appreciation	Interest	Total
2016		\$70,000	\$129,249	\$118,527	\$317,776
2017		10,000	126,769	185,570	322,339
2018		10,000	98,910	208,216	317,126
2019		10,000	80,650	226,264	316,914
2020		10,000	67,113	239,588	316,701
2021-2025	\$620,000	760,000	82,500	528,525	1,991,025
2026-2030		1,185,000		303,911	1,488,911
2031-2035		1,365,000		112,313	1,477,313
Total	<u>\$620,000</u>	<u>\$3,420,000</u>	<u>\$585,191</u>	<u>\$1,922,914</u>	<u>\$6,548,105</u>

Principal and interest requirements to maturity for the 2014 bus note are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$25,586	\$917	\$26,503
2017	26,178	325	26,503
Totals	<u>\$51,764</u>	<u>\$1,242</u>	<u>\$53,006</u>

14. SET-ASIDE CALCULATION

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

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

	Capital Acquisition
Current Year Set-aside Requirement	\$72,663
Current Year Offsets	(34,561)
Qualifying Disbursements	(56,640)
Total	<u>(\$18,538)</u>

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2015, the District paid \$48,963 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be attained from Northern Buckeye Education Council, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves a twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

16. GROUP PURCHASING POOLS

A. Ohio School Plan

The District belongs to the Ohio School Plan (Plan), an unincorporated nonprofit association providing a formalized jointly administered self-insurance risk management program and other administrative services to approximately 273 members.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details). The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014.

	<u>2014</u>	<u>2013</u>
Assets	\$7,974,679	\$6,841,599
Liabilities	2,780,801	4,052,930
Members' Equity	5,193,878	2,788,669

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

16. GROUP PURCHASING POOLS (Continued)

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiatives (OHI), a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of \$514,985 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

C. Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under §4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiatives (OHI) Workers' Compensation Group Rating Plan (WCGRP) was established as a group purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. The OHI has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

OHI has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$510 to WCGRP to cover the costs of administering the program.

17. RELATED ORGANIZATION

Normal Public Library - The Normal Memorial Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Fayette Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Normal Memorial Library, 301 North Eagle Street, Fayette, Ohio 43251.

18. CONTINGENCIES

A. Federal and State Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

18. CONTINGENCIES (Continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school 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 School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

C. Litigation

There are currently no matters in litigation with the District as defendant.

19. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:				
Special Instruction			\$673	\$673
Athletics			26,958	26,958
Food Service Operations			36,238	36,238
Facilities Maintenance		\$754,320		754,320
Debt Retirement			207,343	207,343
Total Restricted		754,320	271,212	1,025,532
Committed for:				
Athletic Facilities			205,438	205,438
Assigned for:				
Educational Activities	\$27,668			27,668
Unpaid Obligations (encumbrances)	5,092			5,092
Total Assigned	32,760			32,760
Unassigned	2,044,925			2,044,925
Total Fund Balance	\$2,077,685	\$754,320	\$476,650	\$3,308,655

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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

Fayette Local School District
Fulton County
400 East Gamble Road
Fayette, Ohio 43521-9462

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 cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State

Columbus, Ohio

February 4, 2016

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2015

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

FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B) adds to the requirements of Ohio Revised Code § 117.38 and requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

As a cost savings measure management prepared the District's 2015 financial statements on a cash basis of accounting in a format similar to financial statements by Governmental Accounting Board Statement No. 34. This presentation differs from accounting principles accepted in the United States of America (GAAP). The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. Variances on the financial statements between the District's accounting practice and GAAP, while presumably material, cannot reasonably be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared and filed in accordance with generally accepted accounting principles.

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

FINDING NUMBER 2015-002

Material Weakness – Restricted Amounts

Governmental Accounting Standards Board (GASB) Statement No. 34, - Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, paragraph 34 (amended by GASB Statement No. 63) indicates that net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutionally provisions or enabling legislation.

Restricted net position reported on the statement of net position incorrectly included \$225,089 which does not have constraints placed on use either imposed externally or by law. These monies should have been classified as unrestricted net position on the government-wide statement of net position.

A final review of the financial statements may have detected this error.

The accompanying financial statements and accounting records have been adjusted to correct this error.

In order to ensure the District's net position is reported in accordance with GASB 34, we recommend the District review GASB statement 34 and the financial statements for errors prior to filing.

Officials' Response:

We did not receive a response from Officials to this finding.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) – for not preparing its annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as finding 2015-001 in this report.
2014-002	Material Weakness – Budgetary Reporting – Adjustments were recorded to original budgeted receipts and appropriations recorded to the Straight A Grant budgetary statement.	Yes	

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FAYETTE LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 23, 2016**