



Dave Yost • Auditor of State

**FAIRFIELD LOCAL SCHOOL
HIGHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Fairfield Local School District
Highland County
11611 State Route 771
Leesburg, Ohio 45135

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 Fairfield Local School District, Highland 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 accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfield Local School District, Highland County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 3 and 12 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matter

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 29, 2016

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**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

As management of the Fairfield Local School District, we offer readers of the Fairfield Local School District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here to enhance their understanding of the School District's financial performance.

Financial Highlights

In total, governmental net position increased \$673,497 during fiscal year 2015.

General revenues of the governmental activities accounted for \$8,094,075. Program specific revenues in the form of charges for services and sales and operating grants, contributions and interest accounted for \$1,855,737 of total revenues of \$9,949,812.

The School District had \$9,276,315 in expenses related to governmental activities; \$1,855,737 of these expenses were offset by program specific charges for services and sales and operating grants, contributions and interest.

Using the Basic Financial Statements

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

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other nonmajor funds presented in total in one column. The major funds of the School District are the General Fund, the Permanent Improvement Fund and Elementary Construction Fund.

Reporting the Fairfield Local School District as a Whole

The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that demonstrates how the School District did financially during fiscal year 2015. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Some factors may be financial while others such as mandated educational programs are non-financial factors.

Reporting the Fairfield Local School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

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

Fiduciary Funds - The School District's fiduciary funds are a private purpose trust fund, which is used to account for college scholarship programs, and an agency fund, which is used to account for those student activities which consist of a student body, student president, student treasurer and faculty advisor. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal years 2015 and 2014:

(Table 1)

Net Position

	Governmental Activities		Change
	2015	Restated 2014	
Assets:			
Current and Other Assets	\$10,821,212	\$5,302,972	\$5,518,240
Capital Assets, Net	12,952,143	13,490,913	(538,770)
Total Assets	<u>23,773,355</u>	<u>18,793,885</u>	<u>4,979,470</u>
Deferred Outflows of Resources:			
Refunding	42,969	49,580	(6,611)
Pension	674,998	550,079	124,919
Total Deferred Outflows of Resources	<u>717,967</u>	<u>599,659</u>	<u>118,308</u>
Liabilities:			
Other Liabilities	741,251	774,152	(32,901)
Long-Term Liabilities			
Due in One Year	234,608	106,600	128,008
Due More Than Year:			
Pension Liability	9,261,391	11,000,668	(1,739,277)
Other Amounts	6,386,179	1,947,784	4,438,395
Total Liabilities	<u>16,623,429</u>	<u>13,829,204</u>	<u>2,794,225</u>
Deferred Inflows of Resources:			
Property Taxes	1,466,428	1,505,651	(39,223)
Pension	1,669,279	0	1,669,279
Total Deferred Inflows of Resources	<u>3,135,707</u>	<u>1,505,651</u>	<u>1,630,056</u>
Net Position:			
Net Invested in Capital Assets	11,596,351	12,109,213	(512,862)
Restricted	1,173,124	1,037,089	136,035
Unrestricted (Deficit)	(8,037,289)	(9,087,613)	1,050,324
Total Net Position	<u>\$4,732,186</u>	<u>\$4,058,689</u>	<u>\$673,497</u>

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$14,509,278 to \$4,058,689.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

Overall, an increase of \$4,979,470 occurred within total assets when compared to the prior fiscal year. Net investment in capital assets decreased due to current year depreciation exceeding current year additions as well as making current year debt payments. Current and other assets increased as a result of an increase in equity in pooled cash and cash equivalents of \$5,518,240. This was a result of the new debt proceeds in the Elementary Construction fund. The money was received close to fiscal year end, however there was minimal construction that had taken place before the end of fiscal year 2015, which resulted in a large increase in cash and cash equivalents.

Net Invested in Capital Assets decreased due to current year depreciation. Unrestricted net position increased \$1,050,324 as a result of a decrease in net pension liability stemming from pension investment revenues exceeding expectations.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

(Table 2)
Change in Net Position

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2015</u>	<u>Restated 2014</u>	
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$842,980	\$773,411	\$69,569
Operating Grants, Contributions and Interest	1,012,757	966,737	46,020
Total Program Revenues	<u>1,855,737</u>	<u>1,740,148</u>	<u>115,589</u>
General Revenues:			
Property Taxes	1,969,666	1,897,062	72,604
Grants and Entitlements not Restricted to Specific Programs	6,053,927	5,571,247	482,680
Interest	7,773	6,196	1,577
Miscellaneous	62,709	46,450	16,259
Total General Revenues	<u>8,094,075</u>	<u>7,520,955</u>	<u>573,120</u>
Total Revenues	<u>\$9,949,812</u>	<u>\$9,261,103</u>	<u>\$688,709</u>

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

(Table 2)
Change in Net Position
(Continued)

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2015</u>	<u>Restated 2014</u>	
Program Expenses:			
Instruction:			
Regular	\$4,132,212	\$4,339,337	(\$207,125)
Special	965,394	944,082	21,312
Vocational	121,413	120,455	958
Student Intervention Services	2,090	3,668	(1,578)
Support Services:			
Pupils	413,545	385,242	28,303
Instructional Staff	287,576	241,067	46,509
Board of Education	48,649	34,784	13,865
Administration	792,915	673,422	119,493
Fiscal	338,000	297,042	40,958
Business	98,825	156,404	(57,579)
Operation and Maintenance of Plant	694,375	715,567	(21,192)
Pupil Transportation	512,316	518,837	(6,521)
Central	121,273	72,593	48,680
Operation of Non-Instructional Services:			
Food Service Operations	353,741	421,472	(67,731)
Other	0	21,580	(21,580)
Extracurricular Activities	190,165	164,811	25,354
Interest and Fiscal Charges	203,826	84,388	119,438
Total Expenses	<u>9,276,315</u>	<u>9,194,751</u>	<u>81,564</u>
Change in Net Position	673,497	66,352	<u>\$607,145</u>
Net Position at Beginning of Year	<u>4,058,689</u>	N/A	
Net Position at End of Year	<u>\$4,732,186</u>	<u>\$4,058,689</u>	

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$550,079 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$393,089. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$9,362,981
Pension expense under GASB 68	(393,089)
2015 contractually required contribution	<u>588,006</u>
Adjusted 2015 program expenses	9,557,898
Total 2014 program expenses under GASB 27	<u>9,194,751</u>
Change in program expenses not related to pension	<u>\$363,147</u>

Overall, revenues increased \$688,709. Grants and entitlements not restricted to specific programs increased \$482,680. This is mainly due to an increase in state funding and open enrollment.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

Overall, expenses increased \$81,564. Administration and interest and fiscal charges expense increased, offset by a decrease in regular instruction.

The School District's Funds

Information about the School District's major funds starts on page 16. The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,959,380 and expenditures of \$9,134,422.

The fund balance in the General Fund increased \$809,508. Intergovernmental revenue increased by \$512,770 mainly due to an increase in State funding and open enrollment. Although expenditures did increase from the prior fiscal year, revenues still exceeded expenditures.

The fund balance in the Permanent Improvement Fund increased \$178,151. The revenues that the School District received from property taxes and intergovernmental sources exceeded the expenditures by the School District for capital improvements.

The fund balance in the Elementary Construction Fund increased \$4,464,294 due to the issuance of general obligation bonds related to the new elementary construction project.

General Fund - Budget Highlights

The School 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 School District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated fund balance was \$1,513,198 more than the final budgeted amount for the General Fund. Final budgeted expenditures were \$1,494,480 more than actual expenditures. Original budgeted appropriations were \$3,990,281 less than final budgeted expenditures. This was primarily due to an increase in regular instruction of \$2,261,659. Original budgeted revenues were \$1,456,521 less than final budgeted revenues primarily as a result of the School District conservatively estimating intergovernmental revenue on the Original Amended Certificate. The intergovernmental revenue was adjusted on the second Amended Certificate due to an increase in State funding and open enrollment.

Capital Assets

At the end of fiscal year 2015, the School District had \$12,952,143 invested in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks. Net capital assets decreased \$538,770 from the prior fiscal year. This was due to depreciation expense for the current fiscal year being significantly larger than additions. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2015, the School District had outstanding general obligation bonds in the amount of \$1,294,531, for the purpose of advance refunding the 1999 School Improvement Bonds. Of these bonds \$1,240,000 are term bonds and \$54,531 are capital appreciation bonds. The bonds were issued for a 16 year period, with final maturity in December 2021. The bonds will be retired from the Debt Service Fund.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

On May 14, 2015, the School District issued \$4,499,999 in general obligation bonds for the purpose of paying for new construction, improvements and renovations to school facilities. Of these bonds, \$395,000 are serial bonds, \$4,085,000 are term bonds and \$19,999 are capital appreciation bonds. The bonds were issued for a 28 year period, with final maturity in June 2043. The bonds will be paid from property tax revenues received in the Debt Service Fund.

For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact J. Bart Barber, Treasurer, Fairfield Local School District, 11611 S.R. 771, Leesburg, Ohio, 45135.

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Fairfield Local School District

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$9,007,565
Materials and Supplies Inventory	1,069
Inventory Held for Resale	3,803
Taxes Receivable	1,808,775
Capital Assets:	
Land	399,200
Depreciable Capital Assets, Net	12,552,943
Total Assets	23,773,355
Deferred Outflows of Resources:	
Deferred Charge on Refunding	42,969
Pension	674,998
Total Deferred Outflows of Resources	717,967
Liabilities:	
Accounts Payable	84,496
Accrued Wages and Benefits Payable	494,643
Intergovernmental Payable	123,870
Matured Compensated Absences Payable	3,433
Accrued Interest Payable	34,809
Long-Term Liabilities:	
Due Within One Year	234,608
Due in More Than One Year:	
Pension Liability - (See Note 12)	9,261,391
Other Amounts	6,386,179
Total Liabilities	16,623,429
Deferred Inflows of Resources:	
Property Taxes	1,466,428
Pension	1,669,279
Total Deferred Inflows of Resources	3,135,707
Net Position:	
Net Investment in Capital Assets	11,596,351
Restricted for:	
Debt Service	512,746
Food Service	53,138
Classroom Facilities	158,274
Athletics	20,586
Miscellaneous State and Federal Grants	36,256
Capital Outlay	392,124
Unrestricted (Deficit)	(8,037,289)
Total Net Position	\$4,732,186

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,132,212	\$661,526	\$39,467	(\$3,431,219)
Special	965,394	0	679,781	(285,613)
Vocational	121,413	0	52,822	(68,591)
Student Intervention Services	2,090	0	0	(2,090)
Support Services:				
Pupils	413,545	0	0	(413,545)
Instructional Staff	287,576	0	3,000	(284,576)
Board of Education	48,649	0	0	(48,649)
Administration	792,915	0	0	(792,915)
Fiscal	338,000	0	0	(338,000)
Business	98,825	0	0	(98,825)
Operation and Maintenance of Plant	694,375	1,829	0	(692,546)
Pupil Transportation	512,316	0	17,631	(494,685)
Central	121,273	0	0	(121,273)
Operation of Non-Instructional Services:				
Food Service Operations	353,741	125,161	192,886	(35,694)
Extracurricular Activities	190,165	54,464	27,170	(108,531)
Interest and Fiscal Charges	203,826	0	0	(203,826)
Total Governmental Activities	\$9,276,315	\$842,980	\$1,012,757	(7,420,578)

General Revenues:	
Property Taxes Levied for:	
General Purposes	1,457,644
Debt Service	182,360
Permanent Improvement	300,076
Classroom Facilities Maintenance	29,586
Grants and Entitlements not	
Restricted to Specific Programs	6,053,927
Interest	7,773
Miscellaneous	62,709
Total General Revenues	8,094,075
Change in Net Position	673,497
Net Position at Beginning of Year - Restated (See Note 3)	4,058,689
Net Position at End of Year	\$4,732,186

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Permanent Improvement Fund	Elementary Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,170,535	\$350,115	\$4,464,294	\$1,022,621	\$9,007,565
Materials and Supplies Inventory	0	0	0	1,069	1,069
Inventory Held for Resale	0	0	0	3,803	3,803
Receivables:					
Taxes Receivable	1,355,914	279,823	0	173,038	1,808,775
Total Assets	<u>\$4,526,449</u>	<u>\$629,938</u>	<u>\$4,464,294</u>	<u>\$1,200,531</u>	<u>\$10,821,212</u>
Liabilities:					
Accounts Payable	\$83,979	\$0	\$0	\$517	\$84,496
Accrued Wages and Benefits Payable	451,856	1,393	0	41,394	494,643
Intergovernmental Payable	118,241	780	0	4,849	123,870
Matured Compensated Absences Payable	3,433	0	0	0	3,433
Total Liabilities	<u>657,509</u>	<u>2,173</u>	<u>0</u>	<u>46,760</u>	<u>706,442</u>
Deferred Inflows of Resources:					
Property Taxes	1,103,328	227,230	0	135,870	1,466,428
Unavailable Revenue	109,109	22,692	0	15,985	147,786
Total Deferred Inflows of Resources	<u>1,212,437</u>	<u>249,922</u>	<u>0</u>	<u>151,855</u>	<u>1,614,214</u>
Fund Balances:					
Nonspendable	0	0	0	1,069	1,069
Restricted	0	377,843	4,464,294	1,012,060	5,854,197
Assigned	142,834	0	0	0	142,834
Unassigned (Deficit)	2,513,669	0	0	(11,213)	2,502,456
Total Fund Balances	<u>2,656,503</u>	<u>377,843</u>	<u>4,464,294</u>	<u>1,001,916</u>	<u>8,500,556</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$4,526,449</u>	<u>\$629,938</u>	<u>\$4,464,294</u>	<u>\$1,200,531</u>	<u>\$10,821,212</u>

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balances \$8,500,556

**Amounts reported for governmental activities in the
 Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	399,200	
Other capital assets	22,768,989	
Accumulated depreciation	<u>(10,216,046)</u>	
Total capital assets		12,952,143

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent Property Taxes		147,786
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.

Deferred Outflows - Pension	674,998	
Deferred Inflows - Pension	(1,669,279)	
Net Pension Liability	<u>(9,261,391)</u>	(10,255,672)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(34,809)

Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.

42,969

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(5,794,530)	
Accretion on capital appreciation bonds	(100,581)	
Premium on debt issuance	(269,873)	
Compensated absences	<u>(455,803)</u>	
		<u>(6,620,787)</u>

Net Position of Governmental Activities \$4,732,186

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Permanent Improvement Fund	Elementary Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$1,464,229	\$301,825	\$0	\$213,180	\$1,979,234
Intergovernmental	6,324,224	43,674	0	665,551	7,033,449
Interest	6,688	0	1,085	89	7,862
Tuition and Fees	661,526	0	0	0	661,526
Extracurricular Activities	212	0	0	54,252	54,464
Customer Services	0	0	0	125,161	125,161
Rent	1,829	0	0	0	1,829
Gifts and Donations	5,976	0	0	27,170	33,146
Miscellaneous	39,679	0	0	23,030	62,709
Total Revenues	8,504,363	345,499	1,085	1,108,433	9,959,380
Expenditures:					
Current:					
Instruction:					
Regular	3,999,761	0	0	29,428	4,029,189
Special	581,102	0	0	356,257	937,359
Vocational	94,103	0	0	6,250	100,353
Student Intervention Services	2,090	0	0	0	2,090
Support Services:					
Pupils	402,198	0	0	0	402,198
Instructional Staff	205,739	0	0	2,054	207,793
Board of Education	49,256	0	0	0	49,256
Administration	781,861	2,475	0	0	784,336
Fiscal	309,744	9,534	0	6,757	326,035
Business	39,176	59,649	0	0	98,825
Operation and Maintenance of Plant	552,542	95,690	36,790	23,088	708,110
Pupil Transportation	448,248	0	0	0	448,248
Central	119,163	0	0	0	119,163
Operation of Non-Instructional Services:					
Food Service Operations	2,812	0	0	308,121	310,933
Extracurricular Activities	104,560	0	0	97,729	202,289
Debt Service:					
Principal Retirement	0	0	0	58,934	58,934
Interest and Fiscal Charges	0	0	0	166,579	166,579
Interest paid on Capital Appreciation Bonds	0	0	0	96,066	96,066
Total Expenditures	7,692,355	167,348	36,790	1,151,263	9,047,756
Excess of Revenues Over (Under) Expenditures	812,008	178,151	(35,705)	(42,830)	911,624
Other Financing Sources (Uses):					
General Obligation Bonds Issued	0	0	4,499,999	0	4,499,999
Premium on Bonds Issued	0	0	0	203,645	203,645
Transfers In	0	0	0	2,500	2,500
Transfers Out	(2,500)	0	0	0	(2,500)
Total Other Financing Sources (Uses)	(2,500)	0	4,499,999	206,145	4,703,644
Net Change in Fund Balances	809,508	178,151	4,464,294	163,315	5,615,268
Fund Balances at Beginning of Year	1,846,995	199,692	0	838,601	2,885,288
Fund Balances at End of Year	\$2,656,503	\$377,843	\$4,464,294	\$1,001,916	\$8,500,556

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$5,615,268

**Amounts reported for governmental activities in the
 Statement of Activities are different because:**

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	158,288	
Depreciation expense	(686,354)	
Excess of depreciation over capital outlay expense		(528,066)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the Statement of Net Position and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Loss on Disposal of Capital Assets		(10,704)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues.

Delinquent Property Taxes		(9,568)
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Bond proceeds and bond premiums are reported as other financing sources and uses in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Proceeds of bonds	(4,499,999)	
Premium on bonds	(203,645)	
		(4,703,644)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.

588,006

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(393,089)

Accretion and amortization of bond premiums, the deferred loss on refunding debt, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

Amortization of loss on refunding	(6,611)	
Amortization of bond premium	11,587	
Accretion on bonds	(26,887)	
Payment of accretion on capital appreciation bonds	96,066	
Accrued Interest on bonds	(15,336)	
		58,819

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, this amount consisted of:

Bond principal retirement		58,934
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences		(2,459)
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Change in Net Position of Governmental Activities \$673,497

Fairfield Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$1,337,000	\$1,367,685	\$1,367,722	\$37
Intergovernmental	5,038,796	6,322,054	6,338,309	16,255
Interest	4,568	5,731	6,688	957
Tuition and Fees	526,315	660,354	661,526	1,172
Extracurricular Activities	168	211	212	1
Rent	1,447	1,815	1,829	14
Gifts and Donations	4,750	5,960	5,976	16
Miscellaneous	22,597	28,352	28,450	98
Total Revenues	6,935,641	8,392,162	8,410,712	18,550
Expenditures:				
Current:				
Instruction:				
Regular	3,057,250	5,318,909	4,086,827	1,232,082
Special	364,673	634,448	589,706	44,742
Vocational	65,651	114,219	98,056	16,163
Student Intervention Services	3,162	5,502	2,158	3,344
Support Services:				
Pupils	262,388	456,495	423,403	33,092
Instructional Staff	122,294	212,763	205,165	7,598
Board of Education	50,518	87,890	74,097	13,793
Administration	472,577	822,175	776,821	45,354
Fiscal	186,377	324,254	317,975	6,279
Business	27,042	47,047	39,575	7,472
Operation and Maintenance of Plant	362,604	630,847	570,090	60,757
Pupil Transportation	282,932	492,237	477,780	14,457
Central	69,249	120,477	118,990	1,487
Operation of Non-Instructional Services:				
Food Service Operations	1,698	2,955	2,816	139
Extracurricular Activities	65,532	114,010	106,289	7,721
Total Expenditures	5,393,947	9,384,228	7,889,748	1,494,480
Excess of Revenues Over (Under) Expenditures	1,541,694	(992,066)	520,964	1,513,030
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	0	11,161	11,229	68
Insurance Recoveries	0	61	61	0
Transfers Out	2,600	(2,600)	(2,500)	100
Total Other Financing Sources (Uses)	2,600	8,622	8,790	168
Net Change in Fund Balance	1,544,294	(983,444)	529,754	1,513,198
Fund Balance at Beginning of Year	2,312,191	2,312,191	2,312,191	0
Prior Year Encumbrances Appropriated	117,229	117,229	117,229	0
Fund Balance at End of Year	\$3,973,714	\$1,445,976	\$2,959,174	\$1,513,198

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Private Purpose Trust Fund</u>	
	<u>Scholarship Fund</u>	<u>Agency Fund</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$44,972	<u>\$35,846</u>
Liabilities:		
Undistributed Monies	<u>0</u>	<u>\$35,846</u>
Net Position:		
Held in Trust for Scholarships	<u>\$44,972</u>	

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$116
Gifts and Donations	1,000
Total Additions	1,116
Deductions:	
Payments in Accordance with Trust Agreements	587
Change in Net Position	529
Net Position at Beginning of Year	44,443
Net Position at End of Year	\$44,972

See Accompanying Notes to the Basic Financial Statements

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**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Fairfield Local School District was established in 1962. The School District serves an area of approximately 53 square miles. It is located in Highland and Clinton Counties, and includes all of the Villages of Leesburg and Highland, all of Fairfield Township, portions of Penn and Liberty Townships and a portion of Wayne Township in Clinton County. The School District currently operates one instructional building and one bus garage.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 17 of the basic financial statements.

These organizations are:

Jointly Governed Organizations:

South Central Ohio Computer Association Regional Council of Governments
Great Oaks Institute of Technology and Career Development

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation Group Rating Plan

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities; however, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School 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.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The School 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 School District are divided into two categories, governmental and fiduciary.

Governmental Funds

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

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for and report restricted property tax revenues, including the financing and acquisition or construction of major capital facilities, such as new school buildings or additions to existing buildings.

Elementary Construction Fund - The Elementary Construction Fund is used to account for restricted money from bond proceeds restricted for elementary expansion construction.

The nonmajor governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

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

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the flow of economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, "available" means expected to be received within 60 days of fiscal year-end.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, property taxes available for advance and grants are considered to be both measurable and available at fiscal year-end.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported in the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources included property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 12).

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$6,688, which includes \$2,762 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of purchased food held for resale and consumable supplies.

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description	Estimated Lives
Land Improvements	20 - 40 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	8 - 10 years
Vehicles	10 years
Textbooks	5 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On governmental fund financial statements, compensated absences are recognized a liability and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees are paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences and net position liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

Fund Balance

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

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable - The nonspendable fund balance category 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" criterion includes items that are not expected to be converted to cash.

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a school District official delegated that authority by resolution or by State Statute.

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 fund balance.

The School District applies restricted resources first when expenditures are 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 could be used.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the School 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, student activities, and federal and State grants.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over 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, including all supplemental appropriations.

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the School District implemented the 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." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$14,509,278
Adjustments:	
Net Pension Liability	(11,000,668)
Deferred Outflow - Payments Subsequent to Measurement Date	550,079
Restated Net Position June 30, 2014	\$4,058,689

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

4. FUND BALANCES

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

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

4. FUND BALANCES (Continued)

Fund Balances	General Fund	Permanent Improvement Fund	Elementary Construction Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>					
Inventory	\$0	\$0	\$0	\$1,069	\$1,069
<i>Restricted for:</i>					
Debt Payment	0	0	0	736,236	736,236
Food Service Operations	0	0	0	61,300	61,300
Scholarships	0	0	0	29,340	29,340
Miscellaneous Grants	0	0	0	8,557	8,557
Extracurricular	0	0	0	20,586	20,586
Capital Maintenance	0	0	0	156,041	156,041
Capital Improvements	0	377,843	4,464,294	0	4,842,137
<i>Total Restricted</i>	<u>0</u>	<u>377,843</u>	<u>4,464,294</u>	<u>1,012,060</u>	<u>5,854,197</u>
<i>Assigned to:</i>					
Purchases on Order	142,834	0	0	0	142,834
<i>Unassigned</i>	<u>2,513,669</u>	<u>0</u>	<u>0</u>	<u>(11,213)</u>	<u>2,502,456</u>
<i>Total Fund Balances</i>	<u><u>\$2,656,503</u></u>	<u><u>\$377,843</u></u>	<u><u>\$4,464,294</u></u>	<u><u>\$1,001,916</u></u>	<u><u>\$8,500,556</u></u>

5. ACCOUNTABILITY

At June 30, 2015, the Title VI-B Special Education fund had a deficit fund balance of \$11,213. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

6. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance	
GAAP Basis	\$809,508
Adjustments:	
Revenue Accruals	(82,361)
Expenditure Accruals	13,968
Encumbrances	(211,361)
Budget Basis	\$529,754

7. DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the School 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;
4. Bonds and other obligations of the State of Ohio or Local Governments;

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

7. DEPOSITS AND INVESTMENTS (Continued)

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) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training 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. Investments may only be made through specified dealers and institutions.

8. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed 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 semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 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, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Highland and Clinton Counties. The County Auditor periodically advances to the School 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.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

8. PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2015, was \$143,477 in the General Fund, \$18,261 in the Debt Service Fund, \$29,901 in the Permanent Improvement Capital Projects Fund, and \$2,922 in the Classroom Facilities Maintenance Special Revenue Fund (Nonmajor Governmental Funds). The amount available as an advance at June 30, 2014, was \$46,970 in the General Fund, \$5,980 in the Debt Service Fund, \$9,789 in the Permanent Improvement Capital Projects Fund, and \$957 in the Classroom Facilities Maintenance Special Revenue Fund (Nonmajor Governmental Funds).

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

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

	2014 Second - Half Collections		2015 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$73,229,030	96.91%	\$73,342,750	96.84%
Public Utility Personal	2,332,840	3.09%	2,390,110	3.16%
Total Assessed Value	<u>\$75,561,870</u>	<u>100.00%</u>	<u>\$75,732,860</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.09		\$34.09	

9. RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except delinquent property taxes and advances, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

10. CAPITAL ASSETS

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

	Balance at 6/30/14	Additions	Deductions	Balance at 6/30/15
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$399,200	\$0	\$0	\$399,200
Capital Assets Being Depreciated:				
Land Improvements	705,695	4,845	0	710,540
Buildings and Improvements	18,375,616	45,736	0	18,421,352
Furniture, Fixtures and Equipment	1,933,320	80,599	(144,154)	1,869,765
Vehicles	769,349	27,108	0	796,457
Textbooks	970,875	0	0	970,875
Totals Capital Assets Being Depreciated	<u>22,754,855</u>	<u>158,288</u>	<u>(144,154)</u>	<u>22,768,989</u>
Less Accumulated Depreciation:				
Land Improvements	(513,708)	(40,507)	0	(554,215)
Buildings and Improvements	(6,251,781)	(469,946)	0	(6,721,727)
Furniture, Fixtures and Equipment	(1,487,198)	(120,693)	133,450	(1,474,441)
Vehicles	(439,580)	(55,208)	0	(494,788)
Textbooks	(970,875)	0	0	(970,875)
Total Accumulated Depreciation	<u>(9,663,142)</u>	<u>(686,354) *</u>	<u>133,450</u>	<u>(10,216,046)</u>
Total Capital Assets Being Depreciated, Net	<u>13,091,713</u>	<u>(528,066)</u>	<u>(10,704)</u>	<u>12,552,943</u>
Governmental Activities Capital Assets, Net	<u>\$13,490,913</u>	<u>(\$528,066)</u>	<u>(\$10,704)</u>	<u>\$12,952,143</u>

* Depreciation expense was charged to governmental functions as follows:

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

10. CAPITAL ASSETS (Continued)

Instruction:	
Regular	\$250,655
Special	29,780
Vocational	24,806
Support Services:	
Pupils	14,404
Instructional Staff	84,995
Administration	54,000
Fiscal	15,111
Operation and Maintenance of Plant	61,700
Pupil Transportation	90,402
Central	2,110
Operation of Non-Instructional Services -	
Food Service Operations	49,128
Extracurricular Activities	9,263
Total Depreciation Expense	<u><u>\$686,354</u></u>

11. RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Phelan Insurance Agency for property insurance coverage.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant decrease in coverage from the prior fiscal year.

Workers' Compensation

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP. Each fiscal year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

12. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 School 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 School District’s contractually required contribution to SERS was \$149,474 for fiscal year 2015. Of this amount \$9,142 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School 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.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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 School 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.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

The School District's contractually required contribution to STRS was \$438,532 for fiscal year 2015. Of this amount \$36,160 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,943,250	\$7,318,141	\$9,261,391
Proportion of the Net Pension Liability	0.0383970%	0.0300868%	
Pension Expense	\$109,212	\$283,877	\$393,089

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$16,539	\$70,453	\$86,992
School District contributions subsequent to the measurement date	<u>149,474</u>	<u>438,532</u>	<u>588,006</u>
Total Deferred Outflows of Resources	<u>\$166,013</u>	<u>\$508,985</u>	<u>\$674,998</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$315,395</u>	<u>\$1,353,884</u>	<u>\$1,669,279</u>

\$588,006 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$74,672)	(\$320,858)	(\$395,530)
2017	(74,672)	(320,858)	(395,530)
2018	(74,672)	(320,858)	(395,530)
2019	<u>(74,840)</u>	<u>(320,857)</u>	<u>(395,697)</u>
Total	<u>(\$298,856)</u>	<u>(\$1,283,431)</u>	<u>(\$1,582,287)</u>

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

12. DEFINED BENEFIT PENSION 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:

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,772,441	\$1,943,250	\$1,245,830

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.

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

12. DEFINED BENEFIT PENSION 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:

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

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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School 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 School 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	\$10,476,717	\$7,318,141	\$4,647,049

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

Social Security System

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

13. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 School District's surcharge obligation was \$16,777.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$26,077, \$20,163, and \$20,642, respectively. For fiscal year 2015, 82 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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

13. POSTEMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$27,645, and \$26,254, respectively. The full amount has been contributed for all three fiscal years.

14. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. The classified employees working 12 months of the year earn 10 to 20 days of vacation per fiscal year, depending upon length of service. The Superintendent earns 30 days of vacation per fiscal year. Accumulated, unused vacation time is paid to classified employees and the Superintendent upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel, except the Superintendent, who may accumulate unlimited days, and Treasurer who may accrue up to 240 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 35 days for all personnel, except the Superintendent who will be paid at 25 percent of accrued but unused sick leave up to a maximum payment of 100 days.

Insurance Benefits

For fiscal year 2015, medical/surgical and prescription drug insurance is offered to employees through Anthem Blue Cross and Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with the employee, depending on the terms of the contract.

The School District has elected to provide dental insurance through Coresource, Inc. The School District provides vision insurance to all employees through Vision Service Plan.

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

14. EMPLOYEE BENEFITS (Continued)

Retirement Incentive

An employee, covered by the master contract, who retires between July 1, 2011, and June 30, 2015, will receive a retirement incentive bonus using the following formula:

One-half percent (.005) of the employee's average total compensation for the last three full fiscal years of his/her employment in the School District.

The average is then multiplied by (X), where (X) equals the number of complete fiscal years of service in the Fairfield Local School District.

The following restrictions apply to this incentive:

1. The employee must be eligible for and taking initial regular retirement under either STRS or SERS. (Persons previously retired under STRS or SERS are ineligible.)
2. Effective June 30, 2011, this incentive applies to only those employees who retire with less than 31 years of service credit under either STRS or SERS.
3. The employee must give the Board of Education a minimum of 90 days written notice of his/her intent to retire.
4. An employee who retires during the school year receives no partial credit for that year in terms of bonus calculation; the bonus will be based on the last three complete fiscal years of service.
5. Compensation upon which the bonus is calculated includes all payments made to the employee from whichever retirement that has been withheld.

The retirement incentive bonus is paid within 30 days of the actual retirement date, provided written evidence of actual retirement (such as a copy of a retirement check or its stub) has been provided to the Treasurer.

Two employee's accepted the retirement incentive bonus during fiscal year 2015 and were paid prior to June 30.

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

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/14	Additions	Deductions	Amount Outstanding 6/30/15	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2006 School Improvement					
Refunding Bonds:					
Term Bonds 4%	\$1,240,000	\$0	\$0	\$1,240,000	\$0
Capital Appreciation Bonds 11.27%	113,465	0	58,934	54,531	54,531
Accretion on Capital Appreciation Bonds	169,760	23,554	96,066	97,248	97,248
Premium on Debt Issuance	77,815	0	10,375	67,440	0
2015 School Improvement					
General Obligation Bonds:					
Serial Bonds 1.00% to 2.00%	0	395,000	0	395,000	45,000
Term Bonds 2.00% to 4.00%	0	4,085,000	0	4,085,000	0
Capital Appreciation Bonds	0	19,999	0	19,999	0
Accretion on Capital Appreciation Bonds	0	3,333	0	3,333	0
Premium on Debt Issuance	0	203,645	1,212	202,433	0
Total General Obligation Bonds	<u>1,601,040</u>	<u>4,730,531</u>	<u>166,587</u>	<u>6,164,984</u>	<u>196,779</u>
Net Pension Liability:					
STRS	8,717,322	0	1,399,181	7,318,141	0
SERS	2,283,346	0	340,096	1,943,250	0
Total Net Pension Liability	<u>11,000,668</u>	<u>0</u>	<u>1,739,277</u>	<u>9,261,391</u>	<u>0</u>
Compensated Absences	453,344	19,441	16,982	455,803	37,829
Total Governmental Activities					
Long-Term Liabilities	<u>\$13,055,052</u>	<u>\$4,749,972</u>	<u>\$1,922,846</u>	<u>\$15,882,178</u>	<u>\$234,608</u>

School Improvement Refunding Bonds 2006

On February 1, 2006, the School District issued \$2,179,999 in general obligation bonds for the purpose of advance refunding the 1999 School Improvement Bonds. Of these bonds, \$765,000 are serial bonds, \$1,240,000 are term bonds and \$174,999 are capital appreciation bonds. The bonds were issued for a 16 year period, with final maturity in December 2021. The bonds will be retired from the Debt Service Fund.

The term bonds issued at \$1,240,000 and maturing on December 1, 2016 through December 1, 2021, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

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

15. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year	Amount
2017	\$170,000
2018	180,000
2019	190,000
2020	220,000
2021	235,000
2022	245,000
Total	\$1,240,000

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal years 2015 and 2016. The maturity amount of the capital appreciation bonds will be \$155,000 in 2015 and \$160,000 in 2016. During fiscal year 2015, capital appreciation bonds matured in the amount of \$155,000. For fiscal year 2015, the capital appreciation bonds were accreted \$23,554.

The School District defeased the 1999 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements.

School Improvement General Obligation Bonds 2015

On May 14, 2015, the School District issued \$4,499,999 in general obligation bonds for the purpose of paying for new construction, improvements and renovations to school facilities. Of these bonds, \$395,000 are serial bonds, \$4,085,000 are term bonds and \$19,999 are capital appreciation bonds. The bonds were issued for a 28 year period, with final maturity in June 2043. The bonds will be paid from property tax revenues received in the Debt Service Fund.

The term bonds issued at \$4,085,000 and maturing on June 1, 2022 through June 1, 2043, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on June 1, in the years and in the respective principal amounts as follows:

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

15. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year	Amount
2021	\$120,000
2022	120,000
2023	125,000
2024	130,000
2025	130,000
2026	135,000
2027	140,000
2028	145,000
2029	150,000
2030	160,000
2031	165,000
2032	170,000
2033	180,000
2034	185,000
2035	190,000
2036	200,000
2037	210,000
2038	215,000
2039	225,000
2040	235,000
2041	245,000
2042	250,000
2043	260,000
Total	\$4,085,000

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal year 2020. The maturity amount of the capital appreciation bonds will be \$120,000. For fiscal year 2015, the capital appreciation bonds were accreted \$3,333.

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

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

15. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2016	\$45,000	\$165,854	\$0	\$49,600	\$54,531	\$105,469	\$420,454
2017	115,000	157,925	170,000	46,200	0	0	489,125
2018	115,000	155,625	180,000	39,200	0	0	489,825
2019	120,000	153,325	190,000	31,800	0	0	495,125
2020	0	0	220,000	23,600	19,999	100,001	363,600
2021-2025	0	0	1,105,000	740,925	0	0	1,845,925
2026-2030	0	0	730,000	622,275	0	0	1,352,275
2031-2035	0	0	890,000	465,025	0	0	1,355,025
2036-2040	0	0	1,085,000	272,225	0	0	1,357,225
2041-2043	0	0	755,000	57,188	0	0	812,188
Total	\$395,000	\$632,729	\$5,325,000	\$2,348,038	\$74,530	\$205,470	\$8,980,767

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund, Permanent Improvement Capital Projects Fund, and the Food Service, Title VI-B and Title I Special Revenue Funds. For additional information related to the net pension liability see note 12.

The School District's overall legal debt margin was \$371,857 with an unvoted debt margin of \$75,733 at June 30, 2015.

16. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2015, were as follows:

Transfer From	Transfer To
General Fund	Nonmajor Governmental Funds
	\$2,500

Transfers were made from the General Fund to Nonmajor Governmental Funds to move unrestricted balances to support programs and projects accounted for in other funds.

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

17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

South Central Ohio Computer Association Regional Council of Governments

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCA), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCA is an association of public Educational Service Centers within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence 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 Service Centers. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of the consortium including budget, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SCOCA \$136,396 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgetary and taxing authority. Great Oaks offers career technical programs to high school juniors and seniors of the School District. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 E. Kemper Road, Cincinnati, Ohio, 45241-1581.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

18. SET-ASIDES

The School 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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

18. SET-ASIDES (Continued)

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2014	\$0
Current Fiscal Year Set-aside Requirement	166,333
Current Fiscal Year Offsets	(98,626)
Qualifying Disbursements	(67,707)
Totals	\$0
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$0
Set-aside Reserve Balance	
as of June 30, 2015	\$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

19. CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the affect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, 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, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable or liability of the School District.

Litigation

The School District is of the opinion that the ultimate disposition of any legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

20. SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$211,361
Permanent Improvement Fund	54,401
Elementary Construction Fund	250
Other Governmental Funds	27,628
Total	<u><u>\$293,640</u></u>

21. SUBSEQUENT EVENT

In July of 2015, the Board approved resolution 15-92, to accept bids for the Elementary Classroom Wing Addition in the amount of \$3,450,000 and the New Soccer Field and Athletic Track in the amount of \$950,000. On August 17, 2015, the Board approved resolution 15-113, intent to enter contracts related to these projects. The two contracts entered into were the D.A.G. Construction Co Incorporated in the amount of \$3,496,200 and the Cox Paving, LLC in the amount of \$892,135.

On September 2, 2015, the School District issued \$1,240,000 in School Improvement Refunding Bonds, Series 2015, with an interest rate of 3.42 percent. The bonds will mature on December 1, 2021.

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Fairfield Local School District
Required Supplementary Information

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Fairfield Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0383970%	0.0383970%
School District's Proportionate Share of the Net Pension Liability	\$1,943,250	\$2,283,346
School District's Covered-Employee Payroll	\$1,105,099	\$1,071,305
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	175.84%	213.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Fairfield Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.0300868%	0.0300868%
School District's Proportionate Share of the Net Pension Liability	\$7,318,141	\$8,717,322
School District's Covered-Employee Payroll	\$3,074,057	\$3,139,131
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.06%	277.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Note: Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Fairfield Local School District
 Required Supplementary Information
 Schedule of School District Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$149,474	\$153,167	\$148,269	\$157,396	\$168,977	\$91,771	\$84,301	\$85,093	\$117,669	\$108,928
Contributions in Relation to the Contractually Required Contribution	(149,474)	(153,167)	(148,269)	(157,396)	(168,977)	(91,771)	(84,301)	(85,093)	(117,669)	(108,928)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,134,400	\$1,105,099	\$1,071,305	\$1,170,228	\$1,344,285	\$677,778	\$856,722	\$866,528	\$1,101,770	\$1,029,565
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Fairfield Local School District
 Required Supplementary Information
 Schedule of School District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$438,532	\$396,912	\$408,087	\$406,405	\$406,592	\$386,702	\$387,274	\$379,964	\$416,329	\$409,719
Contributions in Relation to the Contractually Required Contribution	<u>(438,532)</u>	<u>(396,912)</u>	<u>(408,087)</u>	<u>(406,405)</u>	<u>(406,592)</u>	<u>(386,702)</u>	<u>(387,274)</u>	<u>(379,964)</u>	<u>(416,329)</u>	<u>(409,719)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,132,371	\$3,053,169	\$3,139,131	\$3,126,192	\$3,127,631	\$2,974,631	\$2,979,031	\$2,922,800	\$3,202,531	\$3,151,685
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
<i>Non-Cash Assistance:</i>						
National School Lunch Program	3L60	10.555		\$ 33,247		\$ 33,247
<i>Cash Assistance:</i>						
National School Breakfast Program	3L70	10.553	54,944		54,944	
National School Lunch	3L60	10.555	142,318		142,318	
Total Nutrition Cluster			197,262	33,247	197,262	33,247
<i>Passed through National Future Farmers of America</i>						
Vo-Ag Living to Serve Grant	2012	10.550			841	
Total U.S. Department of Agriculture			197,262	33,247	198,103	33,247
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
<i>Title 1 Cluster</i>						
Title 1 - FY 14	3M00	84.010	-		22,545	
Title 1 - FY 15	3M00		170,164		152,231	
<i>Total Title I</i>			170,164	-	174,776	-
<i>Special Education Cluster:</i>						
<i>Special Education Grants to States</i>						
IDEA Part B - FY14	3M20	84.027			18,219	
IDEA Part B - FY15	3M20	84.027	168,909		166,939	
Preschool Subsidy - FY 14	3C50	84.173			1,178	
Preschool Subsidy - FY 15	3C50	84.173	1,183		1,183	
<i>Total Special Education Cluster</i>			170,092	-	187,519	-
<i>Additional Programs:</i>						
Title II-A Improving Teacher Quality - FY14	3Y60	84.367	28,002		27,536	
<i>Total Additional Programs</i>			28,002		27,536	
<i>Passed through Great Oaks Institute of Technology and Career Development</i>						
Career Education - FY14	2014	84.048	-		311	
Career Education - FY15	2015		3,000		1,748	
<i>Total Additional Programs:</i>			3,000		2,059	
Total Department of Education			371,258		391,890	
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 568,520	\$ 33,247	\$ 589,993	\$ 33,247

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

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Dave Yost • Auditor of State

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

Fairfield Local School District
Highland County
11611 State Route 771
Leesburg, Ohio 45135

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfield Local School District, Highland County, (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 29, 2016 wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 29, 2016



Dave Yost • Auditor of State

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

Fairfield Local School District
Highland County
11611 State Route 771
Leesburg, Ohio 45135

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Fairfield Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Fairfield Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Fairfield Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 29, 2016

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Cluster, CFDA #84.010 Special Education Cluster: Title VI-B, CFDA # 84.027 and Handicapped Preschool #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
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 Revised Code Section 3318.18 (E) , half-mill equalization fund payment not posted accurately.	Yes	

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Dave Yost • Auditor of State

FAIRFIELD LOCAL SCHOOL DISTRICT

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2016**