



Dave Yost • Auditor of State

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Fairland Local School District
Lawrence County
228 Private Drive 10010
Proctorville, Ohio 45669

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Fairland Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Fairland Local School District, Lawrence 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 11 and 20 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension 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 School District's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016, on our consideration of the School 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 School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 7, 2016

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**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

The discussion and analysis of the Fairland Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- Net position of governmental activities decreased \$874,454. This is mainly due to a decrease in cash and cash equivalents, a decrease in materials and supplies inventory, a decrease in property taxes receivable and the depreciation of capital assets.
- General revenues accounted for \$12,216,313 or 78% of all revenues. Program specific revenues in the form of Charges for Services and Sales and Operating Grants and Contributions accounted for \$3,451,175 or 22% of total revenues of \$15,667,488. The School District had \$16,541,942 in expenses related to governmental activities.
- The General Fund is the School District's only major fund. The General Fund had \$13,752,296 in revenues and \$13,959,077 in expenditures. The General Fund's balance decreased \$233,700.

Using this Annual Financial Report

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 statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Position and 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 most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies.

This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

These two statements report the School District's net position and changes in the 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. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District's activities are all considered to be Governmental Activities.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins on page 11. 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 most significant funds. The School District's major governmental fund is the General Fund.

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 governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Fund 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. The School District's only fiduciary fund is an agency fund which is used to maintain financial activity of the School District's student managed activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB Statement No. 34, fiduciary funds are not included in the government-wide statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

Table 1			
Net Position			
	Governmental Activities		
	2015	2014*	Variance
Assets			
Current and Other Assets	\$8,761,177	\$9,370,515	(\$609,338)
Capital Assets	24,903,418	26,160,570	(1,257,152)
Total Assets	33,664,595	35,531,085	(1,866,490)
Deferred Outflows of Resources			
Pension	1,285,433	1,134,225	151,208
Liabilities			
Long-term Liabilities	20,764,156	24,632,171	(3,868,015)
Other Liabilities	1,921,898	2,169,926	(248,028)
Total Liabilities	22,686,054	26,802,097	(4,116,043)
Deferred Inflows of Resources			
Property Taxes not Levied to Finance			
Current Year Operations	2,994,343	3,000,809	(6,466)
Pension	3,281,681	0	3,281,681
Total Deferred Inflows of Resources	6,276,024	3,000,809	3,275,215
Net Position			
Net Investment in Capital Assets	22,681,418	23,534,570	(853,152)
Restricted	1,202,412	1,243,576	(41,164)
Unrestricted	(17,895,880)	(17,915,742)	19,862
Total Net Position	\$5,987,950	\$6,862,404	(\$874,454)

* - As restated. See note 20 of the notes to the basic financial statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Total assets decreased \$1,866,490 mainly due to a decrease in cash and cash equivalents, a decrease in materials and supplies inventory, a decrease in property taxes receivable and a decrease in capital assets due to depreciation expense. Deferred outflows of resources increased \$151,208 due to pension.

Total liabilities decreased \$4,116,043 mainly due to decreases in accounts payable, accrued wages and benefits payable, intergovernmental payable, special termination benefits payable and long-term liabilities. Deferred inflows of resources due to pension increased \$3,275,215 due to pension.

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.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

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 \$27,079,689 to \$6,862,404.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015 compared to 2014. Revenue decreased \$334,103, mostly due to decreases in charges for services and sales, operating grants and contributions, capital grants and contributions, property taxes and insurance recoveries and miscellaneous. The decrease in regular instruction program expenses is due to the fact that regular instruction program expenses in 2014 included the result of capital asset deletions related to the completion and capitalization of an Energy Conservation Project during fiscal year 2014.

Table 2
Changes in Net Position

	Governmental Activities		
	2015	2014	Variance
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,189,685	\$1,218,887	(\$29,202)
Operating Grants and Contributions	2,261,490	2,342,257	(80,767)
Capital Grants and Contributions	0	5,000	(5,000)
Total Program Revenues	3,451,175	3,566,144	(114,969)
General Revenues			
Property Taxes	3,687,988	3,746,700	(58,712)
Grants and Entitlements	8,357,312	8,332,179	25,133
Gifts and Donations	0	50	(50)
Investment Earnings	13,594	15,656	(2,062)
Proceeds from Sale of Capital Assets	2,500	0	2,500
Insurance Recoveries and Miscellaneous	154,919	340,862	(185,943)
Total General Revenues	12,216,313	12,435,447	(219,134)
Total Revenues	15,667,488	16,001,591	(334,103)

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Table 2
Changes in Net Position
(continued)

	Governmental Activities		
	2015	2014	Variance
Program Expenses			
Instruction			
Regular	\$8,262,504	\$9,436,713	(\$1,174,209)
Special	1,926,189	1,908,752	17,437
Vocational	81,819	81,329	490
Student Intervention Services	5,395	8,044	(2,649)
Other	52,309	144,209	(91,900)
Support Services:			
Pupils	510,178	607,970	(97,792)
Instructional Staff	403,957	372,100	31,857
Board of Education	41,342	139,726	(98,384)
Administration	1,187,847	1,163,706	24,141
Fiscal	347,894	356,395	(8,501)
Business	46,721	46,871	(150)
Operation and Maintenance of Plant	1,737,639	1,856,664	(119,025)
Pupil Transportation	757,411	805,825	(48,414)
Central	4,560	13,331	(8,771)
Operation of Non-Instructional Services	702,586	639,838	62,748
Extracurricular Activities	418,003	392,890	25,113
Interest and Fiscal Charges	55,588	68,921	(13,333)
Total Expenses	<u>16,541,942</u>	<u>18,043,284</u>	<u>(1,501,342)</u>
Decrease in Net Position	(874,454)	(2,041,693)	1,167,239
Net Position at Beginning of Year	6,862,404 *	N/A	N/A
Net Position at End of Year	<u>\$ 5,987,950</u>	<u>\$ 6,862,404 *</u>	<u>\$ (874,454)</u>

* - As restated. See note 20 of the notes to the basic financial statements.

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 \$1,134,225 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 expenses of \$862,884. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$16,541,942
Pension expense under GASB 68	(862,884)
2015 contractually required contribution	<u>1,116,022</u>
Adjusted 2015 program expenses	16,795,080
Total 2014 program expenses under GASB 27	<u>18,043,284</u>
Decrease in program expenses not related to pension	<u>\$ 1,248,204</u>

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

The Statement of Activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program Expenses				
Instruction:				
Regular	\$8,262,504	\$7,301,009	\$9,436,713	\$8,440,906
Special	1,926,189	574,455	1,908,752	561,479
Vocational	81,819	60,249	81,329	59,736
Student Intervention Services	5,395	5,062	8,044	7,556
Other	52,309	49,078	144,209	59,961
Support Services:				
Pupils	510,178	407,618	607,970	477,206
Instructional Staff	403,957	349,020	372,100	317,068
Board of Education	41,342	38,789	139,726	131,209
Administration	1,187,847	1,106,217	1,163,706	1,079,179
Fiscal	347,894	326,927	356,395	335,293
Business	46,721	43,835	46,871	44,027
Operation and Maintenance of Plant	1,737,639	1,627,474	1,856,664	1,745,658
Pupil Transportation	757,411	715,300	805,825	761,191
Central	4,560	4,307	13,331	12,529
Operation of Non-Instructional Services:				
Food Service Operations	702,586	146,055	639,838	111,476
Extracurricular Activities	418,003	279,784	392,890	263,745
Interest and Fiscal Charges	55,588	55,588	68,921	68,921
Total	<u>\$16,541,942</u>	<u>\$13,090,767</u>	<u>\$18,043,284</u>	<u>\$14,477,140</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 79% of program expenses activities are supported through taxes and other general revenues.

The School District Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,677,991, expenditures of \$16,014,237 and total other financing sources (uses) of \$27,008 which resulted in a decrease in fund balances of \$309,238.

The fund balance of the General Fund decreased \$233,700. This decrease is \$74,907 more than the decrease in fiscal year 2014 when the fund balance of the General fund decreased \$158,793. This was mainly due to decreases in miscellaneous revenue as well as increases in expenditures for capital outlay. The General Fund's unassigned fund balance of \$934,097 represented 6.7 percent of current year expenditures.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

General Fund Budgeting 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 most significant budgeted fund is the General Fund.

During the course of fiscal year 2015 the School District amended its General Fund budget as needed to reflect unexpected revenues and expenditures. For the General Fund, budget basis revenue was \$57,510 more than original estimates of \$13,494,321 and \$107,490 less than final estimates of \$13,659,321 mainly due to less than expected property taxes, interest, tuition and fees, charges for services and miscellaneous revenue. Budget basis expenditures were \$509,116 less than original estimates of \$14,477,402 and \$1,009,116 less than final budget estimates of \$14,977,402.

The School District's ending unobligated General Fund balance was \$3,177,036.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$24,903,418 invested in land and land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014.

Table 4
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>	
	2015	2014
Land and Land Improvements	\$445,337	\$445,337
Buildings and Improvements	22,149,500	23,473,487
Furniture and Equipment	2,060,692	2,022,316
Vehicles	247,889	219,430
Totals	\$24,903,418	\$26,160,570

See note 8 for more information on capital assets.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Debt

At June 30, 2015, the School District had the following debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2015	2014
General Obligation Ohio School Facilities Commission Bonds	\$0	\$200,000
General Obligation Tax Refunding Bonds	1,655,000	1,670,000
Certificates of Participation	567,000	756,000
Totals	\$2,222,000	\$2,626,000

See Note 13 for information on Debt.

On June 8, 1999 the School District issued \$4,005,000 in voted general obligation bonds for the purpose of constructing a new high school and additions and renovations to the three existing instructional buildings. The bonds were issued for a 23 year period with a final maturity at December 1, 2021.

On April 4, 2012 the School District issued general obligation bonds for the purpose of refunding 1999 bonds maturing on December 1, 2017 and December 1, 2021 in the aggregate amount of \$1,720,000 with a final maturity at December 1, 2021.

On June 15, 2013, the School District issued \$945,000 in certificates of participation (COPs), for the acquisition and installation of energy conservation improvements in each of the School District's school buildings. The Certificates shall mature annually on June 1 of each year in the principal amount of \$189,000, commencing June 1, 2014 through June 1, 2018, both inclusive and shall bear interest at the rate of two percent (2.00%) per annum.

Economic Factors

The School District depends on the State School Foundation Program and must maintain its prudent spending habits. The financial situation is stable at the present time; however, the School District is unable to predict what effect the budget problems of the State of Ohio may have on its financial operations.

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 financial information, contact Loretta Wirzfeld, Fairland Local School District Treasurer, 228 Private Drive 10010, Proctorville, Ohio 45669.

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Fairland Local School District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalent	\$4,953,286
Materials and Supplies Inventory	23,426
Accrued Interest Receivable	2,596
Intergovernmental Receivable	305,391
Property Taxes Receivable	3,476,478
Nondepreciable Capital Assets	445,337
Depreciable Capital Assets, Net	24,458,081
<i>Total Assets</i>	33,664,595
Deferred Outflows of Resources	
Pension	1,285,433
Liabilities	
Accounts Payable	162,214
Accrued Wages and Benefits Payable	1,369,922
Intergovernmental Payable	316,171
Accrued Interest Payable	3,718
Accrued Vacation Benefits Payable	69,873
Long-Term Liabilities:	
Due Within One Year	431,687
Due in More Than One Year	20,332,469
<i>Total Liabilities</i>	22,686,054
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	2,994,343
Pension	3,281,681
<i>Total Deferred Inflows of Resources</i>	6,276,024
Net Position	
Net Investment in Capital Assets	22,681,418
Restricted For:	
Debt Service	368,593
Capital Outlay	48,065
Other Purposes	742,294
Set Asides	43,460
Unrestricted (Deficit)	(17,895,880)
<i>Total Net Position</i>	\$5,987,950

See the accompanying notes to the basic financial statements

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

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				
Instruction:				
Regular	\$8,262,504	\$452,161	\$509,334	(\$7,301,009)
Special	1,926,189	97,400	1,254,334	(574,455)
Vocational	81,819	5,054	16,516	(60,249)
Student Intervention Services	5,395	333	0	(5,062)
Other	52,309	3,231	0	(49,078)
Support Services:				
Pupils	510,178	26,409	76,151	(407,618)
Instructional Staff	403,957	44,549	10,388	(349,020)
Board of Education	41,342	2,553	0	(38,789)
Administration	1,187,847	80,186	1,444	(1,106,217)
Fiscal	347,894	20,967	0	(326,927)
Business	46,721	2,886	0	(43,835)
Operation and Maintenance of Plant	1,737,639	109,221	944	(1,627,474)
Pupil Transportation	757,411	42,111	0	(715,300)
Central	4,560	253	0	(4,307)
Operation of Non-Instructional Services	702,586	164,520	392,011	(146,055)
Extracurricular Activities	418,003	137,851	368	(279,784)
Interest and Fiscal Charges	55,588	0	0	(55,588)
Totals	\$16,541,942	\$1,189,685	\$2,261,490	(13,090,767)

General Revenues

Property Taxes Levied for:	
General Purposes	3,440,724
Debt Service	189,239
Classroom Facilities Maintenance	58,025
Grants and Entitlements not Restricted to Specific Programs	8,357,312
Investment Earnings	13,594
Proceeds from Sale of Capital Assets	2,500
Insurance Recoveries	24,508
Miscellaneous	130,411
Total General Revenues	12,216,313
Change in Net Position	(874,454)
Net Position Beginning of Year-Restated	6,862,404
Net Position End of Year	\$5,987,950

See the accompanying notes to the basic financial statements.

Fairland Local School District
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,853,372	\$1,056,454	\$4,909,826
Materials and Supplies Inventory	14,185	9,241	23,426
Receivables:			
Accrued Interest	2,596	0	2,596
Intergovernmental	134,607	170,784	305,391
Property Taxes	3,243,449	233,029	3,476,478
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	43,460	0	43,460
<i>Total Assets</i>	<u>\$7,291,669</u>	<u>\$1,469,508</u>	<u>\$8,761,177</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts Payable	\$157,548	\$4,666	\$162,214
Accrued Wages and Benefits Payable	1,236,223	133,699	1,369,922
Intergovernmental Payable	298,325	17,846	316,171
<i>Total Liabilities</i>	<u>1,692,096</u>	<u>156,211</u>	<u>1,848,307</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	2,793,490	200,853	2,994,343
Unavailable Revenue:			
Property Taxes	192,666	13,759	206,425
Grants	63,203	54,498	117,701
<i>Total Deferred Inflows of Resources</i>	<u>3,049,359</u>	<u>269,110</u>	<u>3,318,469</u>
Fund Balances			
Nonspendable:			
Materials and Supplies Inventory	14,185	9,241	23,426
Unclaimed Monies	5,546	0	5,546
Restricted for:			
Capital Projects and Maintenance	0	683,492	683,492
Other Purposes	0	15,942	15,942
Debt Service	0	357,996	357,996
Extracurricular Activities	0	28,272	28,272
Committed to:			
Insurance Contingency	181,097	0	181,097
Severance Benefits	231,816	0	231,816
Other Purposes	64,358	0	64,358
Assigned to:			
Other Purposes	38,712	0	38,712
Student and Staff Support	80,403	0	80,403
FY16 Appropriations in Excess of Estimated Receipts	1,000,000	0	1,000,000
Unassigned (Deficit)	934,097	(50,756)	883,341
<i>Total Fund Balances</i>	<u>2,550,214</u>	<u>1,044,187</u>	<u>3,594,401</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$7,291,669</u>	<u>\$1,469,508</u>	<u>\$8,761,177</u>

See the accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances		\$3,594,401
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,903,418
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	206,425	
Intergovernmental	117,701	
		324,126
Vacation benefits payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.		(69,873)
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	1,285,433	
Deferred inflows-pension	(3,281,681)	
Net pension liability	(17,967,899)	
Total		(19,964,147)
Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(3,718)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Refunding Bonds	(1,655,000)	
Certificates of Participation	(567,000)	
Sick Leave Benefits Payable	(574,257)	
		(2,796,257)
Net Position of Governmental Activities		\$5,987,950

See the accompanying notes to the basic financial statements.

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$3,491,529	\$250,933	\$3,742,462
Intergovernmental	9,209,536	1,380,841	10,590,377
Investment Earnings	14,854	0	14,854
Tuition and Fees	830,391	0	830,391
Charges for Services	0	161,355	161,355
Extracurricular Activities	76,524	121,415	197,939
Gifts and Donations	9,702	500	10,202
Miscellaneous	119,760	10,651	130,411
<i>Total Revenues</i>	13,752,296	1,925,695	15,677,991
Expenditures			
Current:			
Instruction:			
Regular	6,560,174	477,954	7,038,128
Special	1,627,569	332,528	1,960,097
Vocational	82,867	0	82,867
Student Intervention Services	5,395	0	5,395
Other	54,416	0	54,416
Support Services:			
Pupils	461,385	69,622	531,007
Instructional Staff	390,344	8,725	399,069
Board of Education	42,909	0	42,909
Administration	1,245,859	0	1,245,859
Fiscal	345,484	8,425	353,909
Business	46,721	0	46,721
Operation and Maintenance of Plant	1,679,285	21,862	1,701,147
Pupil Transportation	694,862	0	694,862
Central	4,100	0	4,100
Operation of Non-Instructional Services	59,750	625,490	685,240
Extracurricular Activities	223,750	156,071	379,821
Capital Outlay	230,087	97,739	327,826
Debt Service:			
Principal Retirement	189,000	215,000	404,000
Interest and Fiscal Charges	15,120	41,744	56,864
<i>Total Expenditures</i>	13,959,077	2,055,160	16,014,237
<i>Deficiency of Revenues Under Expenditures</i>	(206,781)	(129,465)	(336,246)
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	2,500	0	2,500
Insurance Recoveries	24,069	439	24,508
Transfers In	0	53,488	53,488
Transfers Out	(53,488)	0	(53,488)
<i>Total Other Financing Sources (Uses)</i>	(26,919)	53,927	27,008
<i>Net Change in Fund Balances</i>	(233,700)	(75,538)	(309,238)
<i>Beginning Fund Balances, July 1</i>	2,783,914	1,119,725	3,903,639
<i>Ending Fund Balances, June 30</i>	\$2,550,214	\$1,044,187	\$3,594,401

See the accompanying notes to the basic financial statements.

Fairland Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds (\$309,238)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital Asset Additions	327,826	
Depreciation Expense	<u>(1,584,978)</u>	(1,257,152)

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. 1,116,022

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (862,884)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due:

Accrued Interest Payable		1,276
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Taxes	(54,474)	
Interest	(1,260)	
Intergovernmental	<u>18,223</u>	(37,511)

Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 404,000

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

Vacation Benefits Payable	(9,371)	
Sick Leave Benefits Payable	<u>80,404</u>	<u>71,033</u>

Change in Net Position of Governmental Activities (\$874,454)

See the accompanying notes to the basic financial statements.

Fairland 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 and Other Local Taxes	\$3,518,291	\$3,518,291	\$3,483,593	(\$34,698)
Intergovernmental	8,743,741	8,848,741	9,144,265	295,524
Interest	35,059	35,059	12,283	(22,776)
Tuition and Fees	822,602	847,602	794,455	(53,147)
Charges for Services	45,291	45,291	0	(45,291)
Gifts and Donations	50	50	0	(50)
Miscellaneous	329,287	364,287	117,235	(247,052)
<i>Total Revenues</i>	<u>13,494,321</u>	<u>13,659,321</u>	<u>13,551,831</u>	<u>(107,490)</u>
Expenditures				
Current:				
Instruction:				
Regular	7,070,892	7,570,892	6,411,860	1,159,032
Special	1,643,572	1,643,572	1,669,834	(26,262)
Vocational	75,704	75,704	85,447	(9,743)
Student Intervention Services	8,045	8,045	5,395	2,650
Other	62,534	62,534	52,857	9,677
Support Services:				
Pupils	485,777	485,777	468,230	17,547
Instructional Staff	382,954	382,954	412,855	(29,901)
Board of Education	128,551	128,551	103,123	25,428
Administration	1,131,107	1,131,107	1,188,613	(57,506)
Fiscal	346,984	346,984	350,014	(3,030)
Business	99,588	99,588	54,123	45,465
Operation and Maintenance of Plant	1,745,503	1,745,503	1,808,508	(63,005)
Pupil Transportation	732,595	732,595	848,941	(116,346)
Central	13,216	13,216	4,100	9,116
Operation of Non-Instructional Services	45,668	45,668	53,091	(7,423)
Extracurricular Activities	195,491	195,491	226,175	(30,684)
Capital Outlay	102,686	102,686	21,000	81,686
Debt Service				
Principal	189,000	189,000	189,000	0
Interest and Fiscal Charges	17,535	17,535	15,120	2,415
<i>Total Expenditures</i>	<u>14,477,402</u>	<u>14,977,402</u>	<u>13,968,286</u>	<u>1,009,116</u>
<i>Deficiency of Revenues Under Expenditures</i>	(983,081)	(1,318,081)	(416,455)	901,626
Other Financing Sources (Uses)				
Insurance Recoveries	5,679	30,679	24,069	(6,610)
Proceeds from Sale of Capital Assets	0	10,000	2,500	(7,500)
Transfers Out	(238,999)	(238,999)	(251,244)	(12,245)
<i>Total Other Financing Sources (Uses)</i>	<u>(233,320)</u>	<u>(198,320)</u>	<u>(224,675)</u>	<u>(26,355)</u>
<i>Net Change in Fund Balances</i>	(1,216,401)	(1,516,401)	(641,130)	875,271
<i>Beginning Fund Balances, July 1</i>	3,601,767	3,601,767	3,601,767	0
<i>Prior Year Encumbrances Appropriated</i>	216,399	216,399	216,399	0
<i>Ending Fund Balances, June 30</i>	<u>\$2,601,765</u>	<u>\$2,301,765</u>	<u>\$3,177,036</u>	<u>\$875,271</u>

See the accompanying notes to the basic financial statements.

Fairland Local School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$66,544</u>
Liabilities	
Due to Students	<u>\$66,544</u>

See the accompanying notes to the basic financial statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 1 - Description of the School District and Reporting Entity

Fairland Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected, five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 60 classified employees, 97 certificated full time teaching personnel and 10 administrators who provide services to 1,767 students.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the 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 for the organization. The School District has no component units.

The School District is associated with five organizations, two of which are defined as jointly governed organizations, one as a shared risk pool, and two as insurance purchasing pools. The jointly governed organizations are the South Central Ohio Computer Association Regional Council of Governments and the Lawrence County Academy, the shared risk pool is the Lawrence County Schools' Council of Governments Health Benefits Program, and the insurance purchasing pools are the Ohio School Plan and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the 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.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

A. 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 primary government, except for the fiduciary funds. The statements ordinarily distinguish between activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type (primarily supported by fees and charges). The School District, however, 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. 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.

B. 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. There are two categories of funds for this School District: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically 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 liabilities is reported as fund balance. The following is the School District's major governmental fund:

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Fiduciary Fund Types 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 therefore 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 fund is an agency fund which accounts for student activity programs.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., 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 current liabilities 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.

D. Basis of Accounting

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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 the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange transactions must also be available before it can be recognized.

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

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 represent 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 on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include 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 governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. 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 and is further explained in Note 11.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 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.

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 governmental funds.

E. Cash and Cash Equivalents

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

During fiscal year 2015, investments were limited to overnight repurchase agreements and certificates of deposit. These nonparticipating investment contracts and certificates of deposit are reported at cost.

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 \$14,854 which includes \$3,727 assigned from other School District funds.

The School District has a set-aside cash balance for carryover to fiscal year 2016 for budget stabilization. This money is presented as "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" on the Balance Sheet.

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

Investments with an initial maturity of more than three months not purchased from the pool are reported as investments. The certificates of deposit are presented on the financial statements as cash equivalents.

F. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies, custodial supplies and purchased food held for consumption.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by statute to be set-aside by the School District for the budget stabilization balance.

H. Capital Assets

General capital assets are those assets specifically related to 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.

All capital assets are capitalized at cost (or estimated historical cost) 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's capitalization threshold is \$5,000. 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 and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 – 20 years
Vehicles	8 years

I. 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. A liability is recorded for vacation eligible employees after one year of service with the School District. The liability for vacation benefits is recorded as "accrued vacation benefits payable".

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after fifteen years of current service with the School District. The entire sick leave benefit liability is reported on the government-wide financial statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as 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 will be paid.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Interfund Activity

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

L. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

M. 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 governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. 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 determined by a 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 the 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. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit 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 the amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

Net position represents the difference between assets and liabilities. 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 their use either through the 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 activities for food service operations and federal and state grants restricted to expenditure for specified purposes. The government wide statement of net position reports \$1,202,412 of restricted net position, none of which has resulted from enabling legislation.

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

P. 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.

Q. Budgetary Process

All funds, other than the agency fund, 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, 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 of Education's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board of Education. The legal level of control has been established by the Board of Education at the fund level. The School District Treasurer has been given the authority to allocate appropriations among functions and objects within all funds.

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 statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board of Education 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 of Education during the fiscal year.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 3 - Accountability

The following funds had deficit fund balances at June 30, 2015:

	Deficit Fund Balances
Special Revenue Funds:	
Food Service	\$ 35,825
Improving Teacher Quality State Grants	5,690

The deficits are due to recognition of accrued liabilities in accordance with GAAP. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 4 - 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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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 a restriction, commitment, or assignment of fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	(\$233,700)
Revenue Accruals	(75,778)
Expenditure Accruals	(134,853)
Encumbrances	(212,499)
(Excess) Deficit of Funds Combined with General Fund for Reporting Purposes	15,700
Budget Basis	(\$641,130)

As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Uniform School Supplies, Public School Support, Unclaimed Monies, Insurance Contingency, and Termination Benefits Funds.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 5 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 later than the end of the period of designation or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers' acceptances if training requirements have been met.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 5 - Deposits and Investments (Continued)

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.

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,817,670 of the School District's bank balances of \$3,067,670 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

Investments: The School District's investments are reported at fair value. As of June 30, 2015, the School District had the following investment:

	Fair Value	Maturity
Repurchase Agreements	\$2,018,135	1 day

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the settlement date and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is that securities must be marked to market daily. To date, no investments have been purchased with a life greater than one day.

Custodial Credit Risk For an investment, custodial credit risk is risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the School District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2015:

Investment Type	Fair Value	% of Total
Repurchase Agreements	\$2,018,135	100%

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 6 - 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, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues 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 law at thirty-five 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 revenues received in calendar year 2015 represent collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Fairland Local School District. The School District receives property taxes from Lawrence County and Gallia County. 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 represents real property, public utility property, and tangible personal property taxes which were 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 not levied to finance current year operations.

At June 30, 2015, \$275,710 is recognized as revenue: \$257,292 in the General Fund, \$14,150 in the Bond Retirement Fund and \$4,268 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2014 was \$249,357 in the General Fund, \$13,715 in the Bond Retirement Fund and \$4,076 in the Classroom Facilities Special Revenue Fund.

Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. On an 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.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 6 - Property Taxes (Continued)

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

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$187,333,510	96%	\$187,857,840	96%
Public Utility Personal	7,489,100	4%	7,514,700	4%
Tangible Personal Property	0	0%	0	0%
Total	<u>\$194,822,610</u>	<u>100%</u>	<u>\$195,372,540</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$21.60		\$21.60	

Note 7 - Receivables

Receivables at June 30, 2015 consisted of accrued interest, property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund	\$134,607
Special Revenue Funds:	
Special Education - Grants to States	68,569
Title I Grants to Local Educational Agencies	91,224
Improving Teacher Quality State Grants	10,991
Total Special Revenue Funds	<u>170,784</u>
Total Intergovernmental Receivables	<u>\$305,391</u>

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 8 - Capital Assets

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

	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	\$445,337	\$0	\$0	\$445,337
Construction in Progress	0	0	0	0
Total Capital Assets not being Depreciated	445,337	0	0	445,337
Depreciable Capital Assets:				
Buildings and Improvements	42,320,698	0	(71,910)	42,248,788
Furniture and Equipment	3,716,597	226,064	(16,604)	3,926,057
Vehicles	1,400,514	101,762	(79,354)	1,422,922
Total Capital Assets being Depreciated	47,437,809	327,826	(167,868)	47,597,767
Less Accumulated Depreciation				
Buildings and Improvements	(18,847,211)	(1,323,987)	71,910	(20,099,288)
Furniture and Equipment	(1,694,281)	(187,688)	16,604	(1,865,365)
Vehicles	(1,181,084)	(73,303)	79,354	(1,175,033)
Total Accumulated Depreciation	(21,722,576)	(1,584,978)	167,868	(23,139,686)
Total Capital Assets being Depreciated, Net	25,715,233	(1,257,152)	0	24,458,081
Capital Assets, Net	\$26,160,570	(\$1,257,152)	\$0	\$24,903,418

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,383,969
Support Services:	
Instructional Staff	8,364
Operation of Plant	58,574
Pupil Transportation	75,618
Central	460
Food Service Operations	18,865
Extracurricular Activities	39,128
Total Depreciation Expense	\$1,584,978

The School District's capital assets report above includes \$4,856,925 in fully depreciated assets that are still being utilized by the School District.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 9 - 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 joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool for property, fleet, and liability insurance. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 16).

The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$57,734,404
Automobile Liability:	
Liability	2,000,000
Medical Payments	5,000
Uninsured Motorists	1,000,000

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$2,000,000
Aggregate Limit	4,000,000
Products – Completed Operations Aggregate Limit	2,000,000
Fire Damage Limit	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Bodily Injury By Accident – Each Accident	2,000,000
Bodily Injury By Disease	2,000,000
Bodily Injury By Disease – Each Employee	2,000,000
Employee Benefits Liability:	
Employee Benefits Injury – Each Offense Limit	2,000,000
Employee Benefits Injury Aggregate Limit	4,000,000
Educational Legal Liability:	
Each Occurrence	2,000,000
Aggregate Limit	4,000,000

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 9 - Risk Management (Continued)

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 16). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Note 16) to provide employee medical benefits. Rates are set through an annual calculation process. The School District pays monthly premiums to the fiscal agent, which is placed into a Council Fund from which claim payments are made for all participating school districts. The School District pays 85% of the premium for certified employees and classified employees who are not members of the non-teaching bargaining unit. The School District also pays 85% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired prior to October 1, 2014. The School District pays 80% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired on or after October 1, 2014.

Claims are paid for all participants regardless of claims flow. Upon withdrawal from the program, no further contribution will be made and the school district will be distributed their net pooled share and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

Note 10 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year, earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers, administrators, and classified employees who are contracted to work less than 260 days per year do not earn vacation time.

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 307 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 65 days.

Classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 295 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 65 days.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 10 - Employee Benefits (Continued)

B. Life Insurance and Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through The Guardian Life Insurance Company of America. The coverage amount is \$40,000 for certified employees and for classified employees.

Dental coverage is provided through The Guardian Life Insurance Company of America. Premiums for this coverage are \$69.65 monthly for family and \$20.65 monthly for single coverage. Employees contribute \$4 for family coverage and \$2 for single coverage.

Health insurance is provided by the Lawrence County Schools Council of Governments Health Benefits Program (see Note 16). Premiums for this coverage are \$1,637 for family coverage and \$663 for single coverage. The School District pays 85% of the premium for certified employees and classified employees who are not members of the non-teaching bargaining unit. The School District also pays 85% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired prior to October 1, 2014. The School District pays 80% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired on or after October 1, 2014.

Vision insurance is provided through The Guardian Life Insurance Company of America. The School District pays 100% of the \$9.05 monthly premium for each employee. Employees may contribute \$10.41 per month to purchase family coverage if they so desire.

Note 11 – Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the 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.

The 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.

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

Note 11 – Defined Benefit Pension Plans (Continued)

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

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

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.

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

Note 11 – Defined Benefit Pension Plans (Continued)

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 \$246,697 for fiscal year 2015. Of this amount, \$0 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.

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.

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

Note 11 – Defined Benefit Pension Plans (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 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.

The School District's contractually required contribution to STRS was \$853,977 for fiscal year 2015. Of this amount \$139,224 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:

	SERS	STRS	Total
Proportionate Share of the Net			
Pension Liability	\$3,197,504	\$14,770,395	\$17,967,899
Proportion of the Net Pension			
Liability	0.063180%	0.0607249%	
Pension Expense	\$188,039	\$682,379	\$870,418

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

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

Note 11 – Defined Benefit Pension Plans (Continued)

	SERS	STRS	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$27,214	\$142,197	\$169,411
School District contributions subsequent to the measurement date	262,045	853,977	1,116,022
Total Deferred Outflows of Resources	\$289,259	\$996,174	\$1,285,433
<i>Deferred Inflows of Resources</i>			
Net difference between projected and actual earnings on pension plan investments	\$518,964	\$2,732,579	\$3,251,543
Difference between School District contributions and proportionate share of contributions	0	(7,534)	(7,534)
Total Deferred Inflows of Resources	\$518,964	\$2,725,045	\$3,244,009

\$1,116,022 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$122,937)	(\$647,595)	(\$770,532)
2017	(122,937)	(647,595)	(770,532)
2018	(122,937)	(647,595)	(770,532)
2019	(122,937)	(647,595)	(770,532)
Total	(\$491,748)	(\$2,590,380)	(\$3,082,128)

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.

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

Note 11 – Defined Benefit Pension Plans (Continued)

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:

Asset Class	Target		Long-Term Expected	
	Allocation		Real Rate of Return	
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	100.00	%		

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

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

Note 11 – Defined Benefit Pension Plans (Continued)

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	\$4,561,888	\$3,197,504	\$2,049,939

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.

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:

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

Note 11 – Defined Benefit Pension Plans (Continued)

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the 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	Current	1% Increase
	(6.75%)	Discount Rate (7.75%)	(8.75%)
District's proportionate share of the net pension liability	\$21,145,431	\$14,770,395	\$9,379,260

Note 12 – 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 HMOs, PPOs, 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.

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

Note 12 – Postemployment Benefits (Continued)

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 \$33,271.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$48,619, \$34,935, and \$32,844, respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

State Teachers Retirement System

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, \$67,491, and \$70,398, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

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

Note 13 - Long Term Obligations

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

	Principal Outstanding 6/30/14*	Additions	Reductions	Principal Outstanding 06/30/15	Amounts Due in One Year
Governmental Activities					
OSFC Bonds, 1999 5.02%	\$200,000	\$0	\$200,000	\$0	\$0
General Oblig. Tax Refunding Bonds 2012 2.15%	1,670,000	0	15,000	1,655,000	225,000
Certificates of Participation, 2013 2.00%	756,000	0	189,000	567,000	189,000
Net Pension Liability	21,351,510	0	3,383,611	17,967,899	0
Sick Leave Benefits	654,661	97,973	178,377	574,257	17,687
Total Governmental Activities					
Long-Term Liabilities	<u>\$24,632,171</u>	<u>\$97,973</u>	<u>\$3,965,988</u>	<u>\$20,764,156</u>	<u>\$431,687</u>

*As restated. See Note 20 for additional information.

On June 8, 1999 the School District issued \$4,005,000 in voted general obligation bonds for the purpose of constructing a new high school and additions and renovations to the three existing instructional buildings. The bonds were issued for a 23 year period with a final maturity at December 1, 2021. The School Improvement General Obligation Bonds will be paid from the Bond Retirement Fund.

On April 4, 2012 the School District issued general obligation bonds for the purpose of refunding the 1999 bonds maturing on December 1, 2017 and December 1, 2021 in the aggregate outstanding amount of \$1,720,000 with a final maturity at December 1, 2021. The General Obligation Tax Refunding Bonds will be paid from the Bond Retirement Fund. The School District refunded its debt to reduce its total debt service payments over ten years by \$377,970 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$19,466.

On June 15, 2013 the School District issued \$945,000 in certificates of participation (COPs) to finance the acquisition and installation of energy conservation improvements in each of the District's school buildings. The COPs were issued pursuant to a Trust Indenture in accordance with Section 3313.375 of the Ohio Revised Code dated as of June 15, 2013 between the School District and U.S. Bank National Association, as Trustee. The COPs have been designated to be qualified tax exempt obligations within the meaning of 26 U.S.C. 265(b)(3). Each of the Certificates represents a fractionalized interest in the obligation of the School District to make certain lease payments under a renewable Lease Agreement dated June 15, 2013. A portion of the lease payments is designated as principal and a portion is designated as interest. The initial term of the lease was until June 30, 2013, provided that the School District shall have the right to renew for a total of not more than five (5) additional one-year renewal terms as determined by the Treasurer, beginning on July 1, 2013 and continuing on July 1 of each year thereafter through and including the last renewal term which shall not be later than July 1, 2017 to June 30, 2018. The School District is required under the lease to make the lease payments to the Trustee and the Trustee is required to distribute the lease payments to the owners of the Certificates as provided in the Trust Indenture. The School District authorized that the Certificates be sold to the Treasurer of the County of Lawrence, Ohio at a price of 100% of the par value thereof. The Certificates shall mature annually on June 1 of each year in the principal amount of \$189,000, commencing June 1, 2014 through June 1, 2018, both inclusive, and shall bear interest at the rate of two percent (2.00%) per annum. The COPs will be repaid from the General Fund.

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

Note 13 - Long Term Obligations (Continued)

Sick leave benefits will be paid from the General Fund.

Annual requirement to general obligation tax refunding bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	225,000	33,164	258,164
2017	230,000	28,272	258,272
2018	230,000	23,327	253,327
2019	235,000	18,329	253,329
2020	240,000	13,223	253,223
2021-2022	495,000	10,696	505,696
Total	<u>\$1,655,000</u>	<u>\$127,011</u>	<u>\$1,782,011</u>

Annual base rent requirements to retire the certificates of participation are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	189,000	11,340	200,340
2017	189,000	7,560	196,560
2018	189,000	3,780	192,780
Total	<u>\$567,000</u>	<u>\$22,680</u>	<u>\$589,680</u>

The overall debt margin of the School District as of June 30, 2015 was \$16,286,525 with an unvoted debt margin of \$195,373.

The School District has a commercial guarantee relating to its automated clearing house credits agreement which is used by the school district for processing payroll direct deposit transactions.

Note 14 - Interfund Activity and Balances

During fiscal year 2015, the General Fund made a transfer to the Food Service Fund in the amount of \$53,488 and a transfer to the Uniform School Supplies Fund in the amount of \$19,485 to cover deficit balances in those funds. Three transfers totaling \$178,271 were made from the General Fund to the Severance Fund during 2015. In accordance with Governmental Accounting Standards Board Statement No. 54, the School District combined the Uniform School Supplies Fund and the Severance Fund with the General Fund for financial reporting purposes. As such, these transfers have been eliminated from the statement of revenues, expenditures and changes in fund balances.

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

Note 15 - Jointly Governed Organizations

A. South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG)

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCARCoG is an association of public School Districts 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 school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG 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 SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SCOCARCoG \$192,850 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.

B. Lawrence County Academy

The School District is a participant in the Lawrence County Academy, a jointly governed, non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a seven-member Board of Directors. The Board membership consists of superintendents from Chesapeake Union Exempted Village School District, Fairland Local School District, Dawson Bryant Local School District, South Point Local School District, Symmes Valley Local School District, Ironton City School District, and Rock Hill Local School District. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Teresa Lawless, fiscal agent for the Lawrence County Academy, at the Lawrence County Educational Service Center, 3rd Floor Courthouse, 111 South 4th Street, Ironton, Ohio 45638, or by calling 740-532-4223.

Note 16 - Public Entity Risk Pools

A. Insurance Purchasing Pools

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 16 - Public Entity Risk Pools (Continued)

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Shared Risk Pool

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council) which is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a council, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The council exercises control over the operation of the council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council. Each school district reserves the right to withdraw from the plan. If this is done, no further contribution will be made and the school district will be distributed their net pooled share and all claims submitted by covered members of the school district after the distribution will be exclusively the liability of the school district.

Note 17 - Contingencies

A. Grants

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

B. Litigation

The School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

C. School Foundation

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 18 - Set-Aside Calculations and Fund Balance Restrictions

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish set-aside balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget set-aside as of April 10, 2001, may at the discretion of the board be returned to the

District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget stabilization set-aside. During fiscal year 2004, the Board of Education approved maintaining the budget stabilization funds in the budget stabilization set-aside pursuant to State Statute and at June 30, 2015, this continues to be set aside.

House Bill 30 effective July 1, 2011 repealed the textbook and instructional materials reserve. The School District is allowed to transfer any unencumbered money in the district's textbook and instructional materials fund on that date to the district's general fund to be used for any general fund purpose. However, the School District did not transfer the unencumbered balance to the General Fund. As such, the School District has assigned this portion of fund balance to account for management's intention of expending this balance.

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

	Budget Stabilization	Capital Acquisition
Set-Aside Reserve Balance as of June 30, 2014	\$43,460	\$0
Current Year Set-Aside Requirement	0	298,465
Current Year Offsets	0	(250,306)
Qualifying Disbursements	0	(96,555)
Totals	\$43,460	(\$48,396)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$43,460	\$0
Set-Aside Reserve Balance as of June 30, 2015	\$43,460	\$0

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Note 19 - Significant Commitments

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. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Fund	Amount
General	\$225,554
Nonmajor Governmental Funds	18,072
Total	\$243,626

Note 20 - Implementation of Accounting Pronouncements and Restatement of Beginning Balances

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 the new accounting pronouncements had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$27,079,689
Adjustments:	
Net Pension Liability	(21,351,510)
Deferred Outflows-Payments Subsequent to Measurement Date	1,134,225
Restated Net Position June 30, 2014	\$6,862,404

Fairland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	2013	2014
<i>State Teachers Retirement System</i>		
School District's proportion of the net pension liability (asset)	0.06072489%	0.06072489%
School District's proportionate share of the net pension liability (asset)	\$17,594,398	\$14,770,395
School District's covered-employee payroll	\$7,039,838	\$6,749,092
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	249.93%	218.85%
Plan fiduciary net position as a percentage of the total pension liability	69.30%	74.71%
 <i>School Employees Retirement System</i>		
School District's proportion of the net pension liability (asset)	0.06318000%	0.06318000%
School District's proportionate share of the net pension liability (asset)	\$3,757,112	\$3,197,504
School District's covered-employee payroll	\$1,755,932	\$1,727,893
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	213.97%	185.05%
Plan fiduciary net position as a percentage of the total pension liability	65.52%	71.70%

(1) Information not available prior to 2013.

Amounts presented as of the School District's measurement date which is the prior fiscal year end. The amounts presented for each fiscal year were determined as of June 30.

Fairland Local School District
Required Supplementary Information
Schedule of School District's Contributions
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>State Teachers Retirement System</i>										
Contractually required contribution	\$804,418	\$805,110	\$810,258	\$883,351	\$852,654	\$899,798	\$833,254	\$915,179	\$877,382	\$853,977
Contributions in relation to the contractually required contribution	804,418	805,110	810,258	883,351	852,654	899,798	833,254	915,179	877,382	853,977
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>School District's covered-employee payroll</i>										
School District's covered-employee payroll	\$6,187,831	\$6,193,154	\$6,232,754	\$6,795,008	\$6,558,877	\$6,921,523	\$6,409,646	\$7,039,838	\$6,749,092	\$6,099,836
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution	\$159,914	\$175,491	\$165,325	\$171,926	\$376,878	\$214,901	\$237,708	\$243,021	\$239,486	\$246,697
Contributions in relation to the contractually required contribution	159,914	175,491	165,325	171,926	376,878	214,901	237,708	243,021	239,486	246,697
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>School District's covered-employee payroll</i>										
School District's covered-employee payroll	\$1,511,474	\$1,643,174	\$1,683,554	\$1,747,215	\$2,783,442	\$1,709,634	\$1,767,346	\$1,755,932	\$1,727,893	\$1,871,750
Contributions as a percentage of covered-employee payroll	10.58%	10.68%	9.82%	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%

The amounts presented for each fiscal year were determined as of June 30.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014/2015	10.555	\$ 13,899	\$ 13,899
Cash Assistance:				
School Breakfast Program	2014/2015	10.553	92,904	92,904
National School Lunch Program	2014/2015	10.555	278,887	278,887
Cash Assistance Subtotal			<u>371,791</u>	<u>371,791</u>
Total Child Nutrition Cluster			<u>385,690</u>	<u>385,690</u>
Total U.S. Department of Agriculture			385,690	385,690
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014 2015	84.010	76,908 <u>289,055</u>	77,040 <u>289,055</u>
Total Title I Grants to Local Educational Agencies			<u>365,963</u>	<u>366,095</u>
Special Education - Grants to States (IDEA, Part B)	2014 2015	84.027	52,347 <u>280,681</u>	52,323 <u>280,531</u>
Total Special Education - Grants to States (IDEA, Part B)			<u>333,028</u>	<u>332,854</u>
Improving Teacher Quality State Grants	2014 2015	84.367	3,071 <u>74,904</u>	3,071 <u>74,903</u>
Total Improving Teacher Quality State Grants			<u>77,975</u>	<u>77,974</u>
ARRA - Race to the Top	2014 2015	84.395	61,405 <u>9,061</u>	50,725 <u>9,061</u>
Total ARRA - Race to the Top			<u>70,466</u>	<u>59,786</u>
Total U.S. Department of Education			<u>847,432</u>	<u>836,709</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,233,122</u>	<u>\$ 1,222,399</u>

The accompanying notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Fairland Local School District's (the School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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



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

Fairland Local School District
Lawrence County
228 Private Drive 10010
Proctorville, Ohio 45669

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Fairland Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 7, 2016 wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB 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 School 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 School 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 misstatement of the School 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 School 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 the 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School 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

March 7, 2016



Dave Yost • Auditor of State

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

Fairland Local School District
Lawrence County
228 Private Drive 10010
Proctorville, Ohio 45669

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Fairland Local School District's, Lawrence County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Fairland Local School District's major federal program for the year ended June 30, 2015. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School 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 School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The School 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 School 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 the 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 School 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

March 7, 2016

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE 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 Grants to Local Educational Agencies: CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

FAIRLAND LOCAL SCHOOL DISTRICT

LAWRENCE 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 24, 2016**