FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2017-2016

Dave Yost • Auditor of State

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY
JUNE 30, 2017 AND 2016

TABLE OF CONTENTS

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio (the District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio, as of June 30, 2017 and 2016, and the respective changes in cash financial position and the budgetary comparison for the General and Classroom Facilities and Maintenance Funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

April 20, 2018

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	$	5,082,684
NET POSITION:		
Restricted for Debt Service		80,462
Restricted for Capital Outlay		1,582,730
Restricted for Other Purposes		680,964
Unrestricted		2,738,528
Total Net Position	$	5,082,684

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Cash Disbursements	Program Receipts: Charges for Services and Sales	Program Receipts: Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 2,660,857	$ 240,160	$ 28,093	$ (2,392,604)
Special	766,440		485,078	(281,362)
Vocational	99,547		41,181	(58,366)
Student Intervention Services	2,615			(2,615)
Other	3,694			(3,694)
Support Services:				
Pupils	288,156			(288,156)
Instructional Staff	175,456		12,246	(163,210)
Board of Education	14,365			(14,365)
Administration	474,300			(474,300)
Fiscal	213,114			(213,114)
Operation and Maintenance of Plant	517,484	145	14,519	(502,820)
Pupil Transportation	298,359			(298,359)
Central	19,572		3,560	(16,012)
Operation of Non-Instructional Services	219,449	64,450	145,562	(9,437)
Extracurricular Activities	270,448	134,496		(135,952)
Capital Outlay	776,188			(776,188)
Debt Service:				
Principal	215,000			(215,000)
Issuance Costs	47,733			(47,733)
Interest and Fiscal Charges	122,610			(122,610)
Totals	$ 7,185,387	$ 439,251	$ 730,239	(6,015,897)

General Receipts:	
Taxes:	
Property Taxes, Levied for General Purposes	1,313,447
Property Taxes, Levied for Debt Service	264,109
Property Taxes, Levied for Permanent Improvement	37,993
Property Taxes, Levied for Facilities Maintenance	16,745
Income Taxes	499,027
Grants and Entitlements not Restricted to Specific Programs	3,606,100
Gifts and Donations	2,134
Investment Earnings	15,079
Miscellaneous	58,193
General Obligation Bonds Issued	1,400,000
Premium on Bonds and Notes Issued	55,341
Proceeds from Sale of Capital Assets	1,994
Refund of Prior Year Expenditures	491
Total General Receipts	7,270,653
Change in Net Position	1,254,756
Net Position Beginning of Year	3,827,928
Net Position End of Year	$ 5,082,684

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Building Fund	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 2,738,528	$ 1,582,730	$ 575,631	$ 185,795	$ 5,082,684
Fund Balances					
Restricted		1,582,730	575,631	185,795	2,344,156
Assigned	39,092				39,092
Unassigned	2,699,436				2,699,436
Total Fund Balances	$ 2,738,528	$ 1,582,730	$ 575,631	$ 185,795	$ 5,082,684

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Classroom Facilities Maintenance Fund	All Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and Other Local Taxes	$ 1,313,447	$	$ 16,745	$ 302,102	$ 1,632,294
Income Tax	499,027				499,027
Intergovernmental	3,773,181		16,574	546,210	4,335,965
Interest	15,079			374	15,453
Tuition and Fees	240,160				240,160
Rent	145				145
Extracurricular Activities	34,385			100,111	134,496
Gifts and Donations	2,486				2,486
Customer Sales and Services				61,686	61,686
Miscellaneous	57,233			3,393	60,626
Total Receipts	5,935,143		33,319	1,013,876	6,982,338
Disbursements:					
Current:					
Instruction:					
Regular	2,634,898			25,959	2,660,857
Special	481,580			284,860	766,440
Vocational	95,351			4,196	99,547
Student Intervention Services	2,615				2,615
Other	3,694				3,694
Support Services:					
Pupils	288,156				288,156
Instructional Staff	163,210			12,246	175,456
Board of Education	14,365				14,365
Administration	474,300				474,300
Fiscal	205,614		1,274	6,247	213,135
Operation and Maintenance of Plant	395,905		104,397	17,182	517,484
Pupil Transportation	298,359				298,359
Central	16,012			3,560	19,572
Operation of Non-Instructional Services	4,249			215,200	219,449
Extracurricular Activities	171,098			99,350	270,448
Capital Outlay		776,188			776,188
Debt Service:					
Principal				215,000	215,000
Interest				122,610	122,610
Issuance Costs				47,733	47,733
Total Disbursements	5,249,406	776,188	105,671	1,054,143	7,185,408
Excess of Receipts Over (Under) Disbursements	685,737	(776,188)	(72,352)	(40,267)	(203,070)
Other Financing Sources and (Uses):					
Transfers In		917,745			917,745
General Obligation Issued		1,400,000			1,400,000
Premium on Bonds and Notes Issued				55,341	55,341
Proceeds from Sale of Capital Assets	1,994				1,994
Refund of Prior Year Expenditures	491				491
Transfers Out	(647,911)		(100,000)	(169,834)	(917,745)
Total Other Financing Sources and (Uses)	(645,426)	2,317,745	(100,000)	(114,493)	1,457,826
Net Change in Fund Balances	40,311	1,541,557	(172,352)	(154,760)	1,254,756
Fund Balances at Beginning of Year	2,698,217	41,173	747,983	340,555	3,827,928
Fund Balances at End of Year	$ 2,738,528	$ 1,582,730	$ 575,631	$ 185,795	$ 5,082,684

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS) GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts:				
Property and Other Local Taxes	$ 1,283,000	$ 1,313,500	$ 1,313,447	$ (53)
Income Tax	471,000	499,027	499,027	
Intergovernmental	3,303,000	3,715,500	3,773,181	57,681
Interest	15,000	13,000	15,079	2,079
Tuition and Fees	161,448	242,878	240,160	(2,718)
Rent	500	500	145	(355)
Gifts and Dontations	10,000	10,000	555	(9,445)
Miscellaneous	50,000	70,687	57,233	(13,454)
Total Receipts	5,293,948	5,865,092	5,898,827	33,735
Disbursements:				
Current:				
Instruction:				
Regular	2,640,379	2,637,897	2,637,277	620
Special	393,837	504,599	481,580	23,019
Vocational	96,545	99,860	99,215	645
Student Intervention Services	200	4,085	2,615	1,470
Other	7,500	7,500	3,694	3,806
Support Services:				
Pupils	265,941	296,244	288,156	8,088
Instructional Staff	176,248	210,103	160,428	49,675
Board of Education	36,698	31,998	15,950	16,048
Administration	442,032	492,592	474,300	18,292
Fiscal	217,913	222,962	205,906	17,056
Operation and Maintenance of Plant	393,173	415,185	396,835	18,350
Pupil Transportation	298,831	307,804	298,359	9,445
Central	55,416	17,966	16,012	1,954
Operation of Non-Instructional Services	1,500	4,750	4,249	501
Extracurricular Activities	173,080	184,012	171,098	12,914
Total Disbursements	5,199,293	5,437,557	5,255,674	181,883
Excess of Receipts Over Disbursements	94,655	427,535	643,153	215,618
Other Financing Sources and (Uses):				
Proceeds from Sale of Capital Assets			1,994	1,994
Refund of Prior Year Expenditures		3,484	491	(2,993)
Transfers Out		(647,911)	(647,911)	
Total Other Financing Sources and (Uses)		(644,427)	(645,426)	(999)
Net Change in Fund Balances	94,655	(216,892)	(2,273)	214,619
Fund Balance at Beginning of Year	2,657,042	2,657,042	2,657,042	
Prior Year Encumbrances Appropriated	13,021	13,021	13,021	
Fund Balance at End of Year	$ 2,764,718	$ 2,453,171	$ 2,667,790	$ 214,619

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - (BUDGETARY BASIS)
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts:				
Property and Other Local Taxes	$ 17,300	$ 54,300	$ 16,745	$ (37,555)
Intergovernmental	17,419	17,419	16,574	(845)
Total Receipts	34,719	71,719	33,319	(38,400)
Disbursements:				
Current:				
Support Services:				
Fiscal	500	1,700	1,274	426
Operation and Maintenance of Plant	157,169	215,069	112,405	102,664
Total Disbursements	157,669	216,769	113,679	103,090
Excess of Disbursements Over Receipts	(122,950)	(145,050)	(80,360)	64,690
Other Financing Uses:				
Transfers Out		(100,000)	(100,000)	
Net Change in Fund Balances	(122,950)	(245,050)	(180,360)	64,690
Fund Balance at Beginning of Year	695,914	695,914	695,914	
Prior Year Encumbrances Appropriated	52,069	52,069	52,069	
Fund Balance at End of Year	$ 625,033	$ 502,933	$ 567,623	$ 64,690

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$ 96,741	$ 225,300
Liabilities		
Current Liabilities:		
Undistributed Monies		$ 225,300
Net Position:		
Held in Trust for Scholarships	$ 96,741	

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		Private Purpose Trust
Additions:		
Interest	$	278
Deductions:		
Payments in Accordance with Trust Agreements		2,500
Change in Net Position		(2,222)
Net Position Beginning of Year		98,963
Net Position End of Year	$	96,741

See Accompanying Notes to the Basic Financial Statements

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is the 598th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 14 classified employees, 36 certified teaching personnel, and 8 administrative employees who provide services to 439 students and other community members.

The Reporting Entity

A. Primary Government

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

B. Component Units

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

C. Jointly Governed, Related Organizations and Purchasing Pools

The District is associated with four jointly governed organizations, three insurance pools, and one related organization. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Northern Buckeye Health Plan Employee Insurance Benefits Program, the Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, and the Normal Memorial Library. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

2. Fund Financial Statements

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds:

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

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

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

Building Fund – The Building Fund is used to account for the revenues and expenditures related to capital outlay

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

2. Fiduciary Funds

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

C. Basis of Accounting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgetary Process

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2017, investments included repurchase agreements, federal agency securities, and money market mutual funds. Investments are reported at cost, except for the money market mutual funds. The District’s money market mutual funds are recorded at the amounts reported by State Bank Wealth Management at June 30, 2017.

The Board of Education allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2017 was $15,079, which includes $ 2,714 assigned from other District funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Compensated Absences

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

I. Pensions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

K. Interfund Transactions

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

L. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net positions are available. There are no amounts restricted by enabling legislation.

M. Fund Balance

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. Accountability and Compliance

A. Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District received proceeds from a special property tax levy for permanent improvements. Contrary to Ohio law, these proceeds were not credited to a special fund for this purpose.

B. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, “Tax Abatement Disclosures”, GASB Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”, GASB Statement No. 80, “Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14” and GASB Statement No. 82, “Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017 financial statements (see Note 21); however, there was no effect on beginning net position/fund balance.

3. Accountability and Compliance (Continued)

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance	General Fund	Classroom Facilities Maintenance Fund
Cash Basis (as reported)	$40,311	($172,352)
Outstanding Encumbrances	(12,909)	(8,008)
Perspective Difference:		
Activity of Funds Reclassified for Cash Reporting Purposes	(29,675)	
Budgetary Basis	($2,273)	($180,360)

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible in institutions;

7. The State Treasurer’s investment pool (STAR Ohio); and

8. Bankers’ acceptances and commercial paper if training requirements have been met.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $713,766 of the District's bank balance of $4,616,742 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2016, the District had the following investments.

	Balance at Cost	Less Than 12 Months	13 to 24 Months	25 to 36 Months
Negotiable Certificates Of Deposit	$525,000	$225,000	$150,000	$150,000
Money Market Mutual Funds	297,057	297,057		
Total Investments	$822,057	$522,057	$224,925	$150,000

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

Credit Risk – The money market mutual fund carries a rating of Aaa by Moody's. The District has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service.

6. INCOME TAX

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

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes for 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2014 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Fulton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second-Half Collections		2017 First-Half Collections	
	Amount	**Percent**	**Amount**	**Percent**
Agricultural/Residential	$60,100,360	92%	$60,245,970	91%
Industrial/Commercial	2,914,300	4%	3,309,720	5%
Public Utility	2,634,840	4%	2,780,550	4%
Total Assessed Value	$65,649,500	100%	$66,336,240	100%
Tax rate per $1,000 of assessed valuation	$55.35		$59.55	

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at 6/30/2016	Additions	Reductions	Balance at 6/30/2017
Governmental Activities				
Land	$321,608			$321,608
Construction in Progress		$652,814		652,814
Land Improvements	36,276			36,276
Buildings and Building Improvements	16,853,660	67,793		16,921,453
Furniture, Fixtures, and Equipment	889,927	24,637	$6,392	908,172
Vehicles	628,664	73,046	97,966	603,714
Total Capital Assets	$18,730,135	$818,290	$104,388	$19,444,037

9. Transfers

During fiscal year 2017, the District transferred $917,745 to the Building Fund from the General fund ($647,911), Classroom Facilities Maintenance Fund, ($100,000) and the Climo Fund ($169,834) to finance a building project which was accounted for in the Building Fund.

10. RISK MANAGEMENT

A. Comprehensive

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

The District joined together with other school districts in Ohio to participate in the Ohio School Plan (the Plan), a public entity insurance purchasing pool (Note 17). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI), a self-insurance pool, for insurance benefits to employees (Note 17). The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

10. RISK MANAGEMENT (Continued)

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northern Division of Optimal Health Initiative (OHI) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 17). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Executive Director of the NBHP coordinates the management and administration of the program.

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

11. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

11. DEFINED PENSION BENEFIT PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.0 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $77,887 for fiscal year 2017.

11. DEFINED PENSION BENEFIT PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

11. DEFINED PENSION BENEFIT PLANS (Continued)

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. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $325,379 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.01636810%	0.01992114%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.01741200%	0.02078530%	
Change in Proportionate Share	0.00104390%	0.00086416%	
Proportionate Share of the Net			
Pension Liability	$1,247,259	$6,957,466	$8,204,725

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.

11. DEFINED PENSION BENEFIT 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, 2016, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on 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 for the five year period ended June 30, 2015.

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 an arithmetic 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 Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.0
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

11. DEFINED PENSION BENEFIT PLANS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.5 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 (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$1,651,293	$1,247,259	$909,065

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, 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, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

11. DEFINED PENSION BENEFIT PLANS (Continued)

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

10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among assets classes and therefore is not a weighted average return on the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$9,245,908	$6,957,466	$5,027,031

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

11. DEFINED PENSION BENEFIT PLANS (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2017, three members of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

12. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $0, respectively; 100 percent has been contributed for fiscal years 2017, 2016, and 2015.

B. School Employee Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

12. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was $23,500. 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 2017, the School District's surcharge obligation was $8,839.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $13,561, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

C. Separation Benefits

The District provides a separation benefit to eligible certified employees. A full-time employee eligible to retire under the provisions of the State Teachers Retirement System that has five years of service with the District will be paid $550 for each year served in the first year eligible to retire, if notification of pending retirement is submitted in writing to the Board no later than April 1 for retirement effective at the end of the current school year or prior to the following school year.

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2017, the following changes occurred in obligations reported in the government-wide financial statements:

	Balance at 06/30/2016	Additions	Reductions	Balance at 06/30/2017	Amounts Due in One Year
Governmental Activities					
2014 Bus Promissory Note 2.25%	$26,178		$26,178		
General Obligation Bonds					
FY 2013 Refunding Bonds					
Serial A Bonds	620,000			$620,000	
Term A Bonds	2,990,000			2,990,000	
Capital Appreciation A Bonds	114,994		48,536	66,458	$31,518
Accretion of Capital Appreciation A Bonds	387,678	$129,226	156,464	360,440	134,786
Term B Bonds	360,000		10,000	350,000	10,000
Capital Appreciation B Bonds	60,000			60,000	
Accretion of Capital Appreciation Bonds	33,750	11,250		45,000	
2017 School Improvement GOB Bonds					
Serial Bonds		1,400,000		1,400,000	50,000
Total General Obligation Bonds	$4,592,600	$1,540,476	$241,178	$5,891,898	$226,304

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

On January 26, 2017, the District issued $1,400,000 School Improvement Unlimited Tax General Obligation Bonds. The proceeds were used for building construction. The interest rate on the bonds was 1.25 to 4.00 percent. The bonds will mature on December 1, 2036. The bonds will be retired through the Bond Retirement debt service fund.

14. LONG-TERM OBLIGATIONS (Continued)

The School Improvement Unlimited Tax General Obligation Serial Bonds bear interest at the rates below per year and will mature in the principal amounts and on the following dates:

Maturity Date December 1	Principal Amount	Interest Rate
2017	$50,000	1.250%
2018	55,000	1.250%
2019	55,000	1.750%
2020	60,000	1.750%
2021	60,000	2.000%
2022	60,000	2.000%
2023	60,000	2.375%
2024	65,000	2.375%
2025	65,000	2.375%
2026	65,000	2.375%
2027	65,000	4.000%
2028	70,000	4.000%
2029	75,000	4.000%
2030	75,000	4.000%
2031	80,000	4.000%
2032	80,000	4.000%
2033	85,000	4.000%
2034	90,000	4.000%
2035	90,000	4.000%
2036	95,000	4.000%

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

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

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

14. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

The annual accretion of interest was $129,226. Total accreted interest of $360,440 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

14. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

The annual accretion of interest was $11,250. Total accreted interest of $45,000 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

The District's overall debt margin was $78,373 with an unvoted debt margin of $66,336 at June 30, 2017.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Serial	Term	Capital Appreciation	Interest	Total
2018	$50,000	$10,000	$166,304	$184,492	$410,796
2019	55,000	10,000	140,325	209,601	414,926
2020	55,000	10,000	120,269	228,620	413,889
2021	265,000	10,000		145,619	420,619
2022	265,000		105,000	185,289	555,289
2023-2027	525,000	1,205,000		543,133	2,273,133
2028-2032	365,000	1,250,000		360,809	1,975,809
2033-2035	440,000	845,000		86,909	1,371,909
Total	$2,020,000	$3,340,000	$531,898	$1,944,472	$7,836,370

15. SET-ASIDE CALCULATION

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

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

	Capital Acquisition
Current Year Set-aside Requirement	$72,193
Current Year Offsets	(72,117)
Qualifying Disbursements	(183,485)
Total	($183,409)

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2017, the District paid $44,864 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

17. GROUP PURCHASING POOLS

A. Ohio School Plan

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

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

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

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2016 (the latest information available.)

17. GROUP PURCHASING POOLS (Continued)

	2016	2015
Assets	$10,507,059	$9,313,853
Liabilities	3,853,671	3,956,512
Members' Equity	6,653,388	5,357,341

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiatives (OHI), a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of $600,507 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

C. Workers' Compensation Group Rating Plan

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

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

18. RELATED ORGANIZATION

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

19. CONTINGENCIES

A. Federal and State Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 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, 2017, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

C. Litigation

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

20. PAYMENT IN LIEU OF TAXES

According to State law, Fulton County has entered into agreements with a property owner under which Fulton County has granted property tax abatements to the property owner. The property owner has agreed to make payments which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner contractual promise to make these payments in lieu of taxes generally continue until the agreement expires.

The Village of Fayette and Gorham entered into a tax abatement agreement with a company for the abatement of property taxes to bring jobs and economic development into the area. The agreement affects the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by $18,056 during fiscal year 2017. The District was reimbursed $20,687 for the forgone property taxes.

21. FUND BALANCE

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

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

Fund Balance	General	Classroom Facilities Maintenance	Building	Other Governmental	Total Governmental Funds
Restricted for:					
Athletics				$41,840	$41,840
Food Service Operations				41,547	41,547
Facilities Maintenance		$575,631			575,631
Capital Improvements				21,616	21,616
Debt Retirement				80,792	80,792
Building Construction			$1,582,730		1,582,730
Total Restricted		575,631	1,582,730	185,795	2,344,156
Assigned for:					
Educational Activities	$26,902				26,902
Unpaid Obligations (encumbrances)	12,190				12,190
Total Assigned	39,092				39,092
Unassigned	2,699,436				2,699,436
Total Fund Balance	$2,738,528	$575,631	$1,582,730	$185,795	$5,082,684

22. Construction Commitments

The following construction commitments were outstanding related to the addition to the school building and the construction of the athletic complex:

Vendor	Contract Amount	Amount Outstanding
Mel Lanzer Construction	$479,999	$257,414
Ohio Irrigation	1,572,930	1,246,054
Beilharz Architects	95,817	15,732
GME Testing	7,145	5,394

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 3,827,928
NET POSITION:	
Restricted for Debt Service	97,542
Restricted for Capital Outlay	41,173
Restricted for Other Purposes	785,496
Unrestricted	2,903,717
Total Net Position	$ 3,827,928

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Cash Disbursements	Program Receipts: Charges for Services and Sales	Program Receipts: Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 2,340,610	$ 137,529	$ 117,100	$ (2,085,981)
Special	604,536	4,002	237,032	(363,502)
Vocational	107,137		16,274	(90,863)
Student Intervention Services	120			(120)
Other	6,447			(6,447)
Support Services:				
Pupils	314,440			(314,440)
Instructional Staff	275,113		14,435	(260,678)
Board of Education	14,742			(14,742)
Administration	355,558			(355,558)
Fiscal	220,156			(220,156)
Operation and Maintenance of Plant	398,960	348		(398,612)
Pupil Transportation	239,833			(239,833)
Central	15,491		1,000	(14,491)
Operation of Non-Instructional Services	173,686	70,470	77,278	(25,938)
Extracurricular Activities	214,427	124,270		(90,157)
Capital Outlay	827			(827)
Debt Service:				
Principal	200,000			(200,000)
Interest and Fiscal Charges	117,776			(117,776)
Totals	$ 5,599,859	$ 336,619	$ 463,119	(4,800,121)

General Receipts:	
Taxes:	
Property Taxes, Levied for General Purposes	1,283,182
Property Taxes, Levied for Debt Service	181,084
Property Taxes, Levied for Facilities Maintenance	16,407
Income Taxes	470,764
Grants and Entitlements not Restricted to Specific Programs	3,331,789
Gifts and Donations	2,716
Investment Earnings	12,265
Miscellaneous	18,932
Refund of Prior Year Expenditures	2,255
Total General Receipts	5,319,394
Change in Net Position	519,273
Net Position Beginning of Year	3,308,655
Net Position End of Year	$ 3,827,928

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 2,698,217	$ 747,983	$ 381,728	$ 3,827,928
Fund Balances				
Restricted		747,983	191,193	939,176
Committed			205,500	205,500
Assigned	41,515			41,515
Unassigned (Deficit)	2,656,702		(14,965)	2,641,737
Total Fund Balances	$ 2,698,217	$ 747,983	$ 381,728	$ 3,827,928

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Classroom Facilities Maintenance Fund	All Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and Other Local Taxes	$ 1,283,182	$ 16,407	$ 181,084	$ 1,480,673
Income Tax	470,764			470,764
Intergovernmental	3,390,091	17,124	384,604	3,791,819
Interest	12,265		643	12,908
Tuition and Fees	141,531			141,531
Rent	348			348
Extracurricular Activities	33,156		91,114	124,270
Gifts and Donations	2,716			2,716
Customer Sales and Services			65,422	65,422
Miscellaneous	17,932		8,494	26,426
Total Receipts	5,351,985	33,531	731,361	6,116,877
Disbursements:				
Current:				
Instruction:				
Regular	2,313,196		27,414	2,340,610
Special	361,867		242,669	604,536
Vocational	107,137			107,137
Student Intervention Services	120			120
Other	6,447			6,447
Support Services:				
Pupils	314,440			314,440
Instructional Staff	254,962		20,151	275,113
Board of Education	14,742			14,742
Administration	355,558			355,558
Fiscal	215,015	441	4,700	220,156
Operation and Maintenance of Plant	359,533	39,427		398,960
Pupil Transportation	238,535		1,298	239,833
Central	11,891		3,600	15,491
Operation of Non-Instructional Services	662		173,024	173,686
Extracurricular Activities	137,434		76,993	214,427
Capital Outlay			827	827
Debt Service:				
Principal			200,000	200,000
Interest			117,776	117,776
Total Disbursements	4,691,539	39,868	868,452	5,599,859
Excess of Receipts Over (Under) Disbursements	660,446	(6,337)	(137,091)	517,018
Other Financing Sources and (Uses):				
Transfers In			42,169	42,169
Refund of Prior Year Expenditures	2,255			2,255
Transfers Out	(42,169)			(42,169)
Total Other Financing Sources and (Uses)	(39,914)		42,169	2,255
Net Change in Fund Balances	620,532	(6,337)	(94,922)	519,273
Fund Balances at Beginning of Year	2,077,685	754,320	476,650	3,308,655
Fund Balances at End of Year	$ 2,698,217	$ 747,983	$ 381,728	$ 3,827,928

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts:				
Property and Other Local Taxes	$ 1,282,995	$ 1,282,995	$ 1,283,182	$ 187
Income Tax	470,700	470,700	470,764	64
Intergovernmental	3,478,836	3,478,836	3,390,091	(88,745)
Interest	10,000	10,000	12,265	2,265
Tuition and Fees	144,395	144,395	141,531	(2,864)
Rent	500	500	348	(152)
Gifts and Dontations	10,000	10,000	2,256	(7,744)
Miscellaneous	50,000	50,000	17,932	(32,068)
Total Receipts	5,447,426	5,447,426	5,318,369	(129,057)
Disbursements:				
Current:				
Instruction:				
Regular	2,193,580	2,248,858	2,286,340	(37,482)
Special	446,208	385,020	361,867	23,153
Vocational	107,580	108,710	107,137	1,573
Student Intervention Services		120	120	-
Other			6,447	(6,447)
Support Services:				
Pupils	308,375	313,498	315,150	(1,652)
Instructional Staff	313,375	317,483	251,729	65,754
Board of Education	38,650	39,360	20,216	19,144
Administration	367,719	379,747	355,558	24,189
Fiscal	156,725	217,495	215,924	1,571
Operation and Maintenance of Plant	381,603	385,103	360,960	24,143
Pupil Transportation	318,650	270,199	239,835	30,364
Central	46,571	46,601	11,891	34,710
Operation of Non-Instructional Services	4,000	4,000	1,162	2,838
Extracurricular Activities	144,302	145,645	137,434	8,211
Total Disbursements	4,827,338	4,861,839	4,671,770	190,069
Excess of Receipts Over Disbursements	620,088	585,587	646,599	61,012
Other Financing Sources and (Uses):				
Proceeds from Sale of Capital Assets	2,000	2,000		(2,000)
Refund of Prior Year Expenditures	2,145	2,145	2,255	110
Transfers Out		(42,169)	(42,169)	
Total Other Financing Sources and (Uses)	4,145	(38,024)	(39,914)	(1,890)
Net Change in Fund Balances	624,233	547,563	606,685	59,122
Fund Balance at Beginning of Year	2,045,265	2,045,265	2,045,265	
Prior Year Encumbrances Appropriated	5,092	5,092	5,092	
Fund Balance at End of Year	$ 2,674,590	$ 2,597,920	$ 2,657,042	$ 59,122

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - (BUDGETARY BASIS)
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts:				
Property and Other Local Taxes	$ 15,883	$ 15,883	$ 16,407	$ 524
Intergovernmental	17,095	17,635	17,124	(511)
Total Receipts	32,978	33,518	33,531	13
Disbursements:				
Current:				
Support Services:				
Fiscal	500	500	441	59
Operation and Maintenance of Plant	60,000	110,000	91,496	18,504
Total Disbursements	60,500	110,500	91,937	18,563
Excess of Disbursements Over Receipts	(27,522)	(76,982)	(58,406)	18,576
Net Change in Fund Balances	(27,522)	(76,982)	(58,406)	18,576
Fund Balance at Beginning of Year	754,320	754,320	754,320	
Fund Balance at End of Year	$ 726,798	$ 677,338	$ 695,914	$ 18,576

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$ 98,963	$ 171,875
Liabilities		
Current Liabilities:		
Undistributed Monies		$ 171,875
Net Position:		
Held in Trust for Scholarships	$ 98,963	

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		Private Purpose Trust
Additions:		
Interest	$	292
Deductions:		
Payments in Accordance with Trust Agreements		2,500
Change in Net Position		(2,208)
Net Position Beginning of Year		101,171
Net Position End of Year	$	98,963

See Accompanying Notes to the Basic Financial Statements

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is the 598th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 13 classified employees, 36 certified teaching personnel, and 8 administrative employees who provide services to 431 students and other community members.

The Reporting Entity

A. Primary Government

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

B. Component Units

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

C. Jointly Governed, Related Organizations and Purchasing Pools

The District is associated with four jointly governed organizations, three insurance pools, and one related organization. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Northern Buckeye Health Plan Employee Insurance Benefits Program, the Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, and the Normal Memorial Library. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

2. Fund Financial Statements

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds:

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

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

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

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

2. Fiduciary Funds

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

C. Basis of Accounting

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2016, investments included repurchase agreements, federal agency securities, and money market mutual funds. Investments are reported at cost, except for the money market mutual funds. The District’s money market mutual funds are recorded at the amounts reported by State Bank Wealth Management at June 30, 2016.

The Board of Education allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2016 was $12,265, which includes $ 2,208 assigned from other District funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Compensated Absences

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

I. Pensions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

K. Interfund Transactions

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

L. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net positions are available. There are no amounts restricted by enabling legislation.

M. Fund Balance

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. Accountability and Compliance

Accountability

At June 30, 2016, the Title I and Public Preschool Grant Funds had deficit fund balances of $5,351 and $9,614, respectively, resulting from the funds being reimbursement grants. The General Fund provides transfers to cover deficit balances when cash is needed.

Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance	General Fund	Classroom Facilities Maintenance Fund
Cash Basis (as reported)	$620,532	($6,337)
Outstanding Encumbrances	(13,021)	(52,069)
Perspective Difference:		
Activity of Funds Reclassified for Cash Reporting Purposes	(826)	
Budgetary Basis	$606,685	($58,406)

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible in institutions;

7. The State Treasurer's investment pool (STAR Ohio); and

8. Bankers' acceptances and commercial paper if training requirements have been met.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $918,863 of the District's bank balance of $1,493,381 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2016, the District had the following investments.

	Balance at Cost	Less Than 12 Months	13 to 24 Months	25 to 36 Months
Negotiable Certificates Of Deposit	$300,000		$150,000	$150,000
Federal Home Loan Bank Bonds	352,787	$352,787		
Federal National Mortgage Association Notes	74,925		74,925	
Money Market Mutual Funds	91,158	91,158		
Repurchase Agreement	1,801,659	1,801,659		
Total Investments	$2,620,529	$2,245,604	$224,925	$150,000

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment in the repurchase agreement, Federal National Mortgage Association Notes, and Federal Home Loan Bank Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

	Cost	Percentage of Portfolio
Federal Home Loan Bank Bonds	$352,787	13.46%
Federal National Mortgage Association Notes	74,925	2.86%

6. INCOME TAX

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

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes for 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2013 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Fulton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second-Half Collections		2016 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	$60,226,970	91%	$60,100,360	92%
Industrial/Commercial	3,224,320	5%	2,914,300	4%
Public Utility	2,552,880	4%	2,634,840	4%
Total Assessed Value	$66,004,170	100%	$65,649,500	100%
Tax rate per $1,000 of assessed valuation	$55.15		$55.35	

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at 6/30/2015	Additions	Reductions	Balance at 6/30/2016
Governmental Activities				
Land	$321,608			$321,608
Land Improvements	36,276			36,276
Buildings and Building Improvements	16,853,660			16,853,660
Furniture, Fixtures, and Equipment	857,770	$32,157		889,927
Vehicles	628,664			628,664
Total Capital Assets	$18,697,978	$32,157	$0	$18,730,135

9. RISK MANAGEMENT

A. Comprehensive

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

The District joined together with other school districts in Ohio to participate in the Ohio School Plan (the Plan), a public entity insurance purchasing pool (Note 17). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI), a self insurance pool, for insurance benefits to employees (Note 17). The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northern Division of Optimal Health Initiative (OHI) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 17). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Executive Director of the NBHP coordinates the management and administration of the program.

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

10. Interfund Transfers

During fiscal year 2016, the District transferred $42,169 from the General Fund to the Building Fund ($42,000) and to the Food Service Fund ($169) to finance activities related to a building project which were accounted for in the Building Fund and to cover a cash shortfall in the Food Service Fund.

11. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

11. DEFINED PENSION BENEFIT PLANS (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2016, the allocation to pension, death benefits, and Medicare B was 14.0 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $68,987 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

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

11. DEFINED PENSION BENEFIT PLANS (Continued)

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

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, 11% of the 12% member rate goes to the DC Plan and 1% goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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. Through June 30, 2015, the employer rate was 14% and the member rate was 12% of covered payroll. The statutory employer rate for fiscal 2016 and subsequent years is 14%. The statutory member contribution rate increased to 13% on July 1, 2015 and will increase to 14% on July 1, 2016.

The District's contractually required contribution to STRS was $300,990 for fiscal year 2016.

11. DEFINED PENSION BENEFIT PLANS (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.01655300%	0.02011872%	
Proportion of the Net Pension Liability Current Measurement Date	0.01636810%	0.01992114%	
Change in Proportionate Share	-0.00018490%	-0.00019758%	
Proportionate Share of the Net Pension Liability	$933,980	$5,505,620	$6,439,600

Actuarial Assumptions - SERS

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

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

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

11. DEFINED PENSION BENEFIT PLANS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, 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 Allocation	Long Term Expected 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 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.

11. DEFINED PENSION BENEFIT PLANS (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$1,295,094	$933,980	$629,891

Changes between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption change which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

11. DEFINED PENSION BENEFIT PLANS (Continued)

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

10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50%.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$7,647,722	$5,505,620	$3,694,154

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2016, three members of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

12. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $24,493, respectively; 100 percent has been contributed for fiscal years 2016, 2015, and 2014.

B. School Employee Retirement System

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

Medicare Part B Plan – The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2016 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2016, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2016, 2015 and 2014 was $4,408, $4,380, and $5,854, respectively; 92 percent has been contributed for fiscal year 2016 and 100 percent for fiscal years 2015 and 2014.

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

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

12. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employee Retirement System (Continued)

The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is 0.0 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at $23,000. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $13,561 and $9,676, respectively; 0 percent has been contributed for fiscal year 2016 and 100 percent for fiscal years 2015 and 2014.

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

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

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

13. OTHER EMPLOYEE BENEFITS (Continued)

C. Separation Benefits

The District provides a separation benefit to eligible certified employees. A full-time employee eligible to retire under the provisions of the State Teachers Retirement System that has five years of service with the District will be paid $550 for each year served in the first year eligible to retire, if notification of pending retirement is submitted in writing to the Board no later than April 1 for retirement effective at the end of the current school year or prior to the following school year.

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2016, the following changes occurred in obligations reported in the government-wide financial statements:

	Balance at 06/30/2015	Additions	Reductions	Balance at 06/30/2016	Amounts Due in One Year
Governmental Activities					
2014 Bus Promissory Note 2.25%	$51,764		$25,586	$26,178	$26,178
General Obligation Bonds					
FY 2013 Refunding Bonds					
Serial A Bonds	620,000			620,000	
Term A Bonds	3,050,000		60,000	2,990,000	
Capital Appreciation A Bonds	114,994			114,994	48,536
Accretion of Capital Appreciation A Bonds	258,452	$129,226		387,678	117,348
Term B Bonds	370,000		10,000	360,000	10,000
Capital Appreciation B Bonds	60,000			60,000	
Accretion of Capital Appreciation Bonds	22,500	11,250		33,750	
FY2006 General Obligation Bonds					
Capital Appreciation Bonds 12.76%	42,221		42,221		
Accretion of Capital Appreciation Bonds	87,028	10,751	97,779		
Total General Obligation Bonds	$4,676,959	$151,227	$235,586	$4,592,600	$175,8842

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

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

14. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

14. LONG-TERM OBLIGATIONS (Continued)

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

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

The annual accretion of interest was $129,226. Total accreted interest of $387,678 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

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

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

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

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

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

The annual accretion of interest was $11,250. Total accreted interest of $33,750 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

14. LONG-TERM OBLIGATIONS (Continued)

The District's overall debt margin was $5,908,455 with an unvoted debt margin of $65,650 at June 30, 2016.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Serial	Term	Capital Appreciation	Interest	Total
2017		$10,000	$165,884	$146,455	$322,339
2018		10,000	132,607	174,519	317,126
2019		10,000	110,488	196,426	316,914
2020		10,000	93,693	213,015	316,708
2021	$205,000	10,000		104,439	319,439
2022-2026	415,000	975,000	93,750	485,469	1,969,219
2027-2031		1,215,000		270,822	1,485,822
2032-2035		1,110,000		72,769	1,182,769
Total	$620,000	$3,350,000	$596,422	$1,663,914	$6,230,336

Principal and interest requirements to maturity for the 2015 bus note are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	$26,178	$325	$26,503
Totals	$26,178	$325	$26,503

15. SET-ASIDE CALCULATION

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

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

	Capital Acquisition
Current Year Set-aside Requirement	$73,440
Current Year Offsets	(33.261)
Qualifying Disbursements	(106,501)
Total	($66,322)

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2016, the District paid $59,529 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Northwestern Ohio Educational Research Council, Inc.

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

17. GROUP PURCHASING POOLS

A. Ohio School Plan

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

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

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

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2016.

	2015	2016
Assets	$9,313,853	$10,507,059
Liabilities	3,956,512	3,853,671
Members' Equity	5,357,341	6,653,388

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

17. GROUP PURCHASING POOLS (Continued)

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiatives (OHI), a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of $527,376 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

C. Workers' Compensation Group Rating Plan

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

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

18. RELATED ORGANIZATION

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

19. CONTINGENCIES

A. Federal and State Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

19. CONTINGENCIES (Continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

C. Litigation

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

20. FUND BALANCE

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

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

Fund Balance	General	Classroom Facilities Maintenance	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics			$41,079	$41,079
Food Service Operations			11,069	11,069
Facilities Maintenance		$747,983		747,983
Debt Retirement			97,872	97,872
Building Construction			41,173	41,173
Total Restricted		747,983	191,193	939,176
Committed for:				
Athletic Facilities			205,500	205,500
Assigned for:				
Educational Activities	$28,494			28,494
Unpaid Obligations (encumbrances)	13,021			13,021
Total Assigned	41,515			41,515
Unassigned	2,656,702		(14,965)	2,641,737
Total Fund Balance	$2,698,217	$747,983	$381,728	$3,827,928

21. Subsequent Event

On August 2, 2016, voters approved a levy to issue bonds in the principal amount of $1,400,000. These proceeds are to be used for new construction, improvements, renovations, and additions to school facilities and providing equipment, furnishing and site acquisition and improvements.

This Page Intentionally Left Blank.

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, (the District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 20, 2018, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-002 to be a material weakness.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards, which* are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

District's Response to Findings

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

April 20, 2018

SCHEDULE OF FINDINGS
JUNE 30, 2017 AND 2016

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

FINDING NUMBER 2017-001

Noncompliance Citation

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

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

As a cost savings measure, management prepared the District's 2017 and 2016 financial statements on a cash basis of accounting in a format similar to financial statements by Governmental Accounting Board Statement No. 34. This presentation differs from accounting principles accepted in the United States of America (GAAP). The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. Variances on the financial statements between the District's accounting practice and GAAP, while presumably material, cannot reasonably be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

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

Officials' Response:

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

FINDING NUMBER 2017-002

Material Weakness - Noncompliance Citation

Ohio Rev. Code § 5705.10(C) provides all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

On August 2, 2016, the District passed an additional tax outside of the ten-mill limitation for the purpose of providing funds for the acquisition, construction, enlargement, renovation, and financing of permanent improvements. The District was not aware that a separate fund should be used to account for this levy. The proceeds from levy received in 2017 in the amount of $37,993 were posted in the Maintenance Fund (034), a special revenue fund, in a separate cost center instead of the Permanent Improvement Fund (003), which is a capital project fund.

Adjustments were made to the 2017 financial statements and accounting records to correct this error.

We recommend that management use funds as directed by the Uniform School Accounting System User Manual which specifies that a Permanent Improvement Fund (003) is to be used to account for all transactions related to the acquisition, construction or improvement of permanent improvements as authorized by Chapter 5705 of the Ohio Revised Code.

Officials' Response:

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

Fayette Local School District

400 E. Gamble St. Fayette, OH 43521

PH: 419.237.2573 Fax: 419.237.3125 Website: http://fayette.k12.oh.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017 and 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding first reported in 2011. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) – for not reporting in accordance with generally accepted accounting principles.	Not corrected and reissued as finding 2017-001 in this report.	Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.
2015-002	Material weakness for incorrect reporting of restricted net position on the statement of net position.	Fully corrected.	

This page intentionally left blank.

FAYETTE LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2018