



Dave Yost • Auditor of State

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances-Governmental Funds	13
Statement of Cash Basis Receipts, Disbursements, and Changes In Fund Balances – Governmental Funds	14
Statement of Receipts, Disbursements and Changes In Fund Balance (Budgetary Basis) – General Fund.....	15
Statement of Receipts, Disbursements and Changes In Fund Balance (Budgetary Basis) – Classroom Facilities Maintenance Fund	16
Statement of Receipts, Disbursements and Changes In Fund Balance (Budgetary Basis) – Straight A Grant Fund.....	17
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds.....	19
Notes to the Basic Financial Statements	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47
Schedule of Findings.....	49
Schedule of Prior Audit Findings.....	51

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the respective budgetary comparison for the General, Classroom Facilities Maintenance, and Straight A Grant funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 11, 2014

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**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of the Fayette Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Highlights for fiscal year 2014 are as follows:

In total, net position increased \$140,293 from prior fiscal year. There was a 15 percent decrease in Receipts and a 16 percent decrease in expenses in fiscal year 2014. These decreases were attributed to the refunding of the 2006 school improvement bonds in 2013.

General revenues accounted for 54 percent of total revenues and reflect the District's significant dependence on property taxes and unrestricted state entitlements.

Using the Basic Financial Statements

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

The statement of net position and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

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

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities, both reported on the cash basis, reflect how the District performed financially during fiscal year 2014. These statements are reported on a cash basis of accounting which reflects receipts and disbursements when cash is received or disbursed.

These statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader whether the financial position of the District, as a whole, has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013.

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

	2014	2013
<u>Assets:</u>		
Cash and Cash Equivalents	<u>\$2,617,127</u>	<u>\$2,476,834</u>
<u>Net Position:</u>		
Restricted	911,563	\$1,056,556
Unrestricted	1,705,564	1,420,278
Total	<u>\$2,617,127</u>	<u>\$2,476,834</u>

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2014 compared to fiscal year 2013.

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

	<u>2014</u>	<u>2013</u>
<u>Receipts:</u>		
Program Receipts:		
Charges for Services and Sales	\$298,529	\$315,036
Operating Grants, Contributions and Interest	3,787,618	503,048
Total Program Receipts	<u>4,086,147</u>	<u>818,084</u>
General Receipts:		
Property Taxes	1,329,676	1,339,411
Income Taxes	443,539	404,863
Grants and Entitlements	2,792,468	2,673,971
Gifts and Donations	4,083	8,992
Investment Earnings	12,120	8,754
Loan Proceeds	76,775	
Miscellaneous	33,290	47,446
Refunding Bonds Issued		4,399,994
Premium on Refunding Bonds Issued		666,386
Refund of Prior Year Expenditures	19,915	
Total General Receipts	<u>4,711,866</u>	<u>9,549,817</u>
Total Receipts	<u>8,798,013</u>	<u>10,367,901</u>
<u>Disbursements:</u>		
Instruction	2,944,243	2,948,815
Support Services:		
Pupils	262,566	286,686
Instructional Staff	385,329	205,081
Board of Education	13,975	12,528
Administration	344,496	382,125
Fiscal	177,828	172,267
Operation and Maintenance of Plant	408,329	394,703
Pupil Transportation	220,809	229,409
Central	170,956	10,165
Non-Instructional	165,031	212,550
Extracurricular Activities	199,559	197,547
Intergovernmental	2,915,901	
Capital Outlay	82,317	3,352
Debt Service:		
Principal	250,000	4,530,000
Interest and Fiscal Charges	116,381	104,206
Issuance Costs		128,582
Advance Refunding Escrow		537,798
Total Disbursements	<u>8,657,720</u>	<u>10,355,814</u>
Increase in Net Position	<u>\$140,293</u>	<u>\$12,087</u>

Program receipts account for 46 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Overall revenues decreased \$1,569,888 (15 percent) and overall expenditures decreased \$1,698,094 (16 percent) primarily due a refunding bond issuance in 2013.

The major program disbursements for governmental activities are for instruction and intergovernmental disbursements to other school districts, which accounts for 34 percent and 34 percent, respectively, of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 10 percent of governmental disbursements. Maintenance of the District's facilities also represents significant disbursements of 5 percent. The remaining 17 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2014	2014	2013	2013
Instruction	\$2,944,243	\$2,389,464	\$2,948,815	\$2,472,105
Support Services:				
Pupils	262,566	262,566	286,686	285,637
Instructional Staff	385,329	106,915	205,081	167,682
Board of Education	13,975	13,975	12,528	12,528
Administration	344,496	344,496	382,125	382,125
Fiscal	177,828	175,370	172,267	172,267
Operation and Maintenance of Plant	408,329	408,169	394,703	394,663
Pupil Transportation	220,809	208,327	229,409	220,409
Central	170,956	117,694	10,165	9,125
Non-Instructional	165,031	(3,527)	212,550	30,958
Extracurricular Activities	199,559	99,426	197,547	86,293
Intergovernmental	2,915,901			
Capital Outlay	82,317	82,317	3,352	3,352
Debt Service:				
Principal	250,000	250,000	4,530,000	4,530,000
Interest and Fiscal Charges	116,381	116,381	104,206	104,206
Issuance Costs			128,582	128,582
Advance Refunding Escrow			537,798	537,798
Total Disbursements	<u>\$8,657,720</u>	<u>\$4,571,573</u>	<u>\$10,355,814</u>	<u>\$9,537,730</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 81 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 53 percent. The remaining 47 percent are derived from tuition and fees, specific grants, and donations.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The District's Funds

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

The General Fund 's balance increased \$288,836 or 20 percent from the prior fiscal year. The increase is a result of an increase in State Foundation Basic and Additional Aid revenues of \$173,299 or 7 percent and a decrease in purchased services expenditures primarily for special education instruction of \$79,263 or 10 percent.

The Classroom Facilities Fund's balance decreased \$23,679 or 6 percent from the prior fiscal year. Maintenance work expenditures decreased by 10 percent in 2014, but still exceeded the fund's total revenues. The fund's total expenditures have exceeded revenues during 2014 and 2013.

The Straight A Grant Fund was established during the year and had a deficit fund balance of \$121,689 at year end. The deficit was a result of unreimbursed grant expenditures. The reimbursement for these expenditures was received in July 2014.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the District amended its General Fund budget as needed.

Original to final budget and final budget to actual revenues and other financing sources only varied by 3.5 and 1 percent, respectively.

Original to final budgeted disbursements varied by 2 percent. Actual were 6 percent less than the final budgeted amounts. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt Administration

The District's outstanding debt at fiscal yearend consisted of general obligation bonds and loan, in the amount of \$4,752,065.

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

Current Issues

In April 2013, a blade from the District's wind turbine fell off, which caused the wind turbine to be out of the power generating mode for the District. In September 2014, a settlement was agreed to between the manufacturer, installer, and the District. The settlement included a lump sum payment of \$285,945 and the removal of the entire turbine.

In 2014, the District decided to have special education students return to the District. In the past, these students were instructed at other districts. This was accomplished by utilizing an existing qualified staff member to provide instruction to these students. This change resulted in decreased purchased services through the Northwest Ohio Educational Service Center and transportation costs and will continue for the 2014-2015 school year.

The Board of Education established a virtual academy at the District beginning in August 2013. This academy offers District students more online course opportunities. In addition, this will be available for home schooled students within the District and potentially to open enrolled students from other districts. The academy will also include an option for credit recovery.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

In January 2014, the District as part of a consortium consisting of sixteen other districts was awarded a Straight A Grant funded through the State of Ohio for the purpose of utilizing online learning through the creation or expansion of virtual academies at each member district. The grant allowed the District to upgrade its infrastructure for additional Wi-Fi services, obtain additional computer hardware, market and promote online learning opportunities, and employ staff for the virtual academy. The District is the administrator for the Consortium. The grant has a five year sustainability period in which the Consortium we will be monitored and evaluated by the Ohio Department of Education.

In September 2013, the District received a \$10,000.00 grant from Monsanto. This grant allowed the District to install a small greenhouse on District grounds. This greenhouse will be used by the Vocational Education Department and potentially provide some fresh produce for the cafeteria.

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

Contacting the District's Financial Management

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

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,617,127</u>
Net Position:	
Restricted for Debt Service	249,118
Restricted for Capital Outlay	98,387
Restricted for Other Purposes	564,058
Unrestricted	<u>1,705,564</u>
<i>Total Net Position</i>	\$ <u>2,617,127</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Receipts</u> <u>Charges for</u> <u>Services and</u> <u>Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in Net</u> <u>Position</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 2,106,251	\$ 127,492	\$ 47,376	\$ (1,931,383)
Special	713,592		379,911	(333,681)
Vocational	122,380			(122,380)
Other	2,020			(2,020)
Support Services:				
Pupils	262,566			(262,566)
Instructional Staff	385,329		278,414	(106,915)
Board of Education	13,975			(13,975)
Administration	344,496			(344,496)
Fiscal	177,828		2,458	(175,370)
Operation and Maintenance of Plant	408,329	160		(408,169)
Pupil Transportation	220,809		12,482	(208,327)
Central	170,956		53,262	(117,694)
Operation of Non-Instructional Services	165,031	70,744	97,814	3,527
Extracurricular Activities	199,559	100,133		(99,426)
Intergovernmental	2,915,901		2,915,901	
Capital Outlay	82,317			(82,317)
Debt Service:				
Principal	250,000			(250,000)
Interest and Fiscal Charges	116,381			(116,381)
Totals	\$ <u>8,657,720</u>	\$ <u>298,529</u>	\$ <u>3,787,618</u>	\$ <u>(4,571,573)</u>
General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				1,035,512
Property Taxes, Levied for Debt Service				278,284
Property Taxes, Levied for Facilities Maintenance				15,880
Income Taxes				443,539
Grants and Entitlements not Restricted to Specific Programs				2,792,468
Gifts and Donations				4,083
Investment Earnings				12,120
Miscellaneous				33,290
Loan Proceeds				76,775
Refund of Prior Year Expenditures				19,915
<i>Total General Receipts</i>				<u>4,711,866</u>
<i>Change in Net Position</i>				140,293
Net Position Beginning of Year				2,476,834
<i>Net Position End of Year</i>				<u>\$ <u>2,617,127</u></u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>	<u>Straight A Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	<u>1,725,215</u>	<u>\$ 397,334</u>	<u>\$ (121,689)</u>	<u>\$ 616,267</u>	<u>\$ 2,617,127</u>
Fund Balances:					
Restricted		\$ 397,334		\$ 418,619	\$ 815,953
Committed				202,412	202,412
Assigned	\$ 158,749				158,749
Unassigned (Deficit)	<u>1,566,466</u>		<u>\$ (121,689)</u>	<u>(4,764)</u>	<u>1,440,013</u>
<i>Total Fund Balances</i>	<u>\$ 1,725,215</u>	<u>\$ 397,334</u>	<u>\$ (121,689)</u>	<u>\$ 616,267</u>	<u>\$ 2,617,127</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>	<u>Straight A Grant Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property and Other Local Taxes	\$ 1,035,512	\$ 15,880		\$ 278,284	\$ 1,329,676
Income Tax	443,539				443,539
Intergovernmental	2,816,332	18,180	3,226,479	519,095	6,580,086
Interest	11,609			511	12,120
Tuition and Fees	127,492				127,492
Rent	160				160
Extracurricular Activities	26,743			73,390	100,133
Gifts and Donations	4,083				4,083
Customer Sales and Services				70,744	70,744
Miscellaneous	4,080			29,210	33,290
<i>Total Receipts</i>	<u>4,469,550</u>	<u>34,060</u>	<u>3,226,479</u>	<u>971,234</u>	<u>8,701,323</u>
Disbursements:					
Current:					
Instruction:					
Regular	2,073,376			32,875	2,106,251
Special	431,734			281,858	713,592
Vocational	112,380			10,000	122,380
Other	2,020				2,020
Support Services:					
Pupils	262,566				262,566
Instructional Staff	105,477		257,316	22,536	385,329
Board of Education	13,975				13,975
Administration	339,462		5,034		344,496
Fiscal	154,818	419	12,446	10,145	177,828
Operation and Maintenance of Plant	351,009	57,320			408,329
Pupil Transportation	208,327			12,482	220,809
Central	11,420		157,471	2,065	170,956
Operation of Non-Instructional Services				165,031	165,031
Extracurricular Activities	133,800			65,759	199,559
Capital Outlay	76,775			5,542	82,317
Debt Service:					
Principal				250,000	250,000
Interest				116,381	116,381
Intergovernmental			2,915,901		2,915,901
<i>Total Disbursements</i>	<u>4,277,139</u>	<u>57,739</u>	<u>3,348,168</u>	<u>974,674</u>	<u>8,657,720</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>192,411</u>	<u>(23,679)</u>	<u>(121,689)</u>	<u>(3,440)</u>	<u>43,603</u>
Other Financing Sources:					
Loan Proceeds	76,775				76,775
Refund of Prior Year Expenditures	19,650			265	19,915
Total Other Financing Sources	<u>96,425</u>			<u>265</u>	<u>96,690</u>
<i>Net Change in Fund Balances</i>	288,836	(23,679)	(121,689)	(3,175)	140,293
Fund Balances at Beginning of Year	<u>1,436,379</u>	<u>421,013</u>		<u>619,442</u>	<u>2,476,834</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 1,725,215</u>	<u>\$ 397,334</u>	<u>\$ (121,689)</u>	<u>\$ 616,267</u>	<u>\$ 2,617,127</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 1,036,793	\$ 1,036,793	\$ 1,035,512	\$ (1,281)
Income Tax	430,525	430,525	443,539	13,014
Intergovernmental	2,658,174	2,819,730	2,816,332	(3,398)
Interest	12,000	12,000	11,609	(391)
Tuition and Fees	133,000	133,000	127,492	(5,508)
Rent	500	500	160	(340)
Gifts and Dontations	10,000	10,000	2,500	(7,500)
Miscellaneous	50,000	50,000	4,080	(45,920)
<i>Total Receipts</i>	<u>4,330,992</u>	<u>4,492,548</u>	<u>4,441,224</u>	<u>(51,324)</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,057,361	2,076,954	2,057,148	19,806
Special	435,910	426,710	431,734	(5,024)
Vocational	116,146	116,073	112,380	3,693
Other	500	500	2,020	(1,520)
Support Services:				
Pupils	265,696	253,696	262,566	(8,870)
Instructional Staff	259,435	238,698	105,715	132,983
Board of Education	30,225	30,225	14,601	15,624
Administration	368,247	373,833	342,791	31,042
Fiscal	180,120	180,150	155,667	24,483
Operation and Maintenance of Plant	353,487	353,487	353,773	(286)
Pupil Transportation	224,632	330,548	222,848	107,700
Central	43,321	43,321	11,420	31,901
Operation of Non-Instructional Services	4,000	4,000		4,000
Extracurricular Activities	140,727	140,697	134,052	6,645
Capital Outlay			76,775	(76,775)
<i>Total Disbursements</i>	<u>4,479,807</u>	<u>4,568,892</u>	<u>4,283,490</u>	<u>285,402</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(148,815)</u>	<u>(76,344)</u>	<u>157,734</u>	<u>234,078</u>
Other Financing Sources:				
Proceeds from Sale of Capital Assets			76,775	76,775
Refund of Prior Year Expenditures	30,000	20,000	19,650	(350)
Total Other Financing Sources	<u>30,000</u>	<u>20,000</u>	<u>96,425</u>	<u>76,425</u>
<i>Net Change in Fund Balance</i>	(118,815)	(56,344)	254,159	310,503
Fund Balance at Beginning of Year	1,380,579	1,380,579	1,380,579	
Prior Year Encumbrances Appropriated	30,049	30,049	30,049	
<i>Fund Balance at End of Year</i>	<u>\$ 1,291,813</u>	<u>\$ 1,354,284</u>	<u>\$ 1,664,787</u>	<u>\$ 310,503</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - (BUDGETARY BASIS)
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts:				
Property and Other Local Taxes	\$ 17,617	\$ 17,617	\$ 15,880	\$ (1,737)
Intergovernmental	18,136	18,136	18,180	44
<i>Total Receipts</i>	35,753	35,753	34,060	(1,693)
Disbursements:				
Current:				
Support Services:				
Fiscal	500	500	419	81
Operation and Maintenance of Plant	109,013	109,013	63,717	45,296
<i>Total Disbursements</i>	109,513	109,513	64,136	45,377
<i>Net Change in Fund Balance</i>	(73,760)	(73,760)	(30,076)	43,684
Fund Balance at Beginning of Year	415,000	415,000	415,000	
Prior Year Encumbrances Appropriated	6,013	6,013	6,013	
<i>Fund Balance at End of Year</i>	\$ 347,253	\$ 347,253	\$ 390,937	\$ 43,684

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)
STRAIGHT A GRANT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts:				
Intergovernmental	\$ 3,402,120	\$ 3,402,120	\$ 3,226,479	\$ (175,641)
Disbursements:				
Current:				
Support Services:				
Instructional Staff	283,990	283,990	283,987	3
Administration	5,034	5,034	5,034	
Fiscal	12,446	12,446	12,446	
Central	184,749	184,749	184,749	
Intergovernmental	2,915,901	2,915,901	2,915,901	
<i>Total Disbursements</i>	<u>3,402,120</u>	<u>3,402,120</u>	<u>3,402,117</u>	<u>3</u>
<i>Net Change in Fund Balance</i>			(175,638)	(175,638)
Fund Balance at Beginning of Year				
Prior Year Encumbrances Appropriated				
<i>Fund Balance (Deficit) at End of Year</i>			<u>\$ (175,638)</u>	<u>\$ (175,638)</u>

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>118,472</u>	\$ <u>37,962</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		\$ <u>37,962</u>
Net Position:		
Held in Trust for Scholarships	\$ <u>118,472</u>	

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 237
Gifts and Contributions	<u>153</u>
<i>Total Additions</i>	<u>390</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>2,600</u>
<i>Change in Net Position</i>	(2,210)
Net Position Beginning of Year	<u>120,682</u>
<i>Net Position End of Year</i>	<u>\$ 118,472</u>

See Accompanying Notes to the Basic Financial Statements

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**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 590th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 13 classified employees, 34 certified teaching personnel, and 8 administrative employees who provide services to 447 students and other community members.

The Reporting Entity

A. Primary Government

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

B. Component Units

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

C. Jointly Governed Organizations and Purchasing Pools

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

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

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

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The General Fund, the Classroom Facilities Maintenance Fund, and Straight A Grant 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.

Straight A Grant Fund – The Straight A Grant Fund is used to account for grant monies awarded through the state Straight A Fund program to the grant consortium consisting of the District and sixteen other districts. The District is the administrator for the consortium and reimburses the member districts or expends monies on their behalf for grant related purposes.

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

2. Fiduciary Funds

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

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

D. Budgetary Process

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

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

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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

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

E. Cash and Investments

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

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

During fiscal year 2014, investments included repurchase agreements, federal agency securities, U.S. treasuries, 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, 2014.

The Board of Education allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$11,609, which includes \$2,090 assigned from other District funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Compensated Absences

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

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

K. Interfund Transactions

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

L. Net Position

Net position is reported as restricted when there are limitations imposed on its use 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 position is available.

M. Fund Balance

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

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance (Continued)

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

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

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

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes 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. CHANGE IN ACCOUNTING PRINCIPLE

For 2014, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 67, "Financial Reporting of Pension Plans" and Governmental Accounting Standard Board (GASB) Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50, *Pension Disclosures* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit.

These changes were incorporated in the District's 2014 financial statements; however, there was no effect on beginning net position/fund balance.

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, Classroom Facilities Maintenance Fund, and Straight A Grant 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, Classroom Facilities Maintenance, and Straight A Grant Funds:

Net Change in Fund Balance	General Fund	Classroom Facilities Maintenance Fund	Straight A Grant Fund
Cash Basis (as reported)	\$288,836	(\$23,679)	(\$121,689)
Outstanding Encumbrances	(27,610)	(6,397)	(53,949)
Perspective Difference:			
Activity of Funds Reclassified for Cash Reporting Purposes	(7,067)		
Budgetary Basis	<u>\$254,159</u>	<u>(\$30,076)</u>	<u>(\$175,638)</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if trading requirements have been met.

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

At year end, the District had \$1,370 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$951,808 of the District's bank balance of \$1,571,273 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, 2014, the District had the following investments.

	<u>Cost</u>	<u>Maturity</u>
Federal Farm Credit Bank Bonds	\$28,137	06/01/2015
Federal Farm Credit Bank Bonds	48,874	08/15/2017
Federal Home Loan Bank Bonds	154,922	07/29/2016
Federal Home Loan Bank Bonds	79,165	09/11/2015
Federal Home Loan Bank Bonds	33,909	06/12/2015
Federal Home Loan Bank Bonds	22,876	12/12/2014
Federal Home Loan Bank Bonds	26,234	01/06/2016
Federal Home Loan Bank Bonds	150,000	04/30/2019
Federal National Mortgage Association Notes	74,925	10/30/2017
Federal National Mortgage Association Notes	74,367	12/19/2016
Federal Home Loan Mortgage Corporation Notes	101,340	08/27/2014
Money Market Mutual Funds	22,875	Average 32 Days
Repurchase Agreement	529,685	
	<u>\$1,347,309</u>	

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

	Cost	Percentage of Portfolio
Federal Farm Credit Bank Bonds	\$77,011	5.72%
Federal Home Loan Bank Bonds	467,106	34.67%
Federal National Mortgage Association Notes	149,292	11.08%
Federal Home Loan Mortgage Corporation Notes	101,340	7.52%

6. INCOME TAX

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes for 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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.

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, 2014, are available to finance fiscal year 2014 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 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$39,603,920	87%	\$39,551,440	87%
Industrial/Commercial	3,534,140	8%	3,606,380	8%
Public Utility	2,272,740	5%	2,483,140	5%
Total Assessed Value	<u>\$45,410,800</u>	<u>100%</u>	<u>\$45,640,960</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$55.30		\$55.30	

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/2013	Additions	Reductions	Balance at 6/30/2014
Governmental Activities				
Land	\$321,608			\$321,608
Construction in Progress	873,835			873,835
Land Improvements	36,276			36,276
Buildings and Building Improvements	16,817,876	\$35,784		16,853,660
Furniture, Fixtures, and Equipment	738,559	43,157		781,716
Vehicles	507,687	102,366		610,053
Total Capital Assets	<u>\$19,295,841</u>	<u>\$181,307</u>		<u>\$19,477,148</u>

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. RISK MANAGEMENT

A. Comprehensive

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

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

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI), a self insurance pool (Note 16), for insurance benefits to employees. 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, Northern Division of Optimal Health Initiative (OHI) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Executive Director of the NBHP coordinates the management and administration of the program.

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEFINED PENSION BENEFIT PLANS

A. State Teachers Retirement System

Plan Description - The District participates to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215- 3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$318,411, \$256,874 and \$289,589, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at www.ohsers.org, under Employers/Audit Resources.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

B. School Employee Retirement System (Continued)

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 up to statutory maximum amounts by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$100,909, \$79,474 and \$88,263, respectively; 87 percent has been contributed to fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

C. 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, 2014, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

11. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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 financial report which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law 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 pay a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$24,493, \$19,760, and \$22,276, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employee Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (STRS) 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 2014 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.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 was \$5,854, \$4,489, and \$5,214, respectively; 87 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 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. State law provides 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 2014, the minimum compensation level was established at \$20,525. 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, 2014, 2013, and 2012 were \$9,676, \$8,382 and \$11,234, respectively; 10 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employee Retirement System (Continued)

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

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

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

C. Separation Benefits

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2014, the following changes occurred in obligations reported in the government-wide financial statements:

	<u>Balance at 06/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/2014</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
2014 Bus Promissory Note 2.25%		\$76,775		\$76,775	\$25,011
General Obligation Bonds					
FY 2013 Refunding Bonds					
Serial A Bonds	\$725,000		\$105,000	620,000	
Term A Bonds	3,110,000			3,110,000	60,000
Capital Appreciation A Bonds	114,994			114,994	
Accretion of Capital Appreciation A		129,222		129,222	
Term B Bonds	390,000		10,000	380,000	10,000
Capital Appreciation B Bonds	60,000			60,000	
Accretion of Capital Appreciation B		11,250		11,250	
FY2006 School Improvement Refunding Bonds					
Serial Bonds 4-4.5%					
FY2006 General Obligation Bonds					
Serial Bonds 3.75-4%	135,000		135,000		
Capital Appreciation Bonds 12.76%	89,999			89,999	47,778
Accretion of Capital Appreciation Bonds	130,758	29,067		159,825	84,846
Total General Obligation Bonds	<u>\$4,755,751</u>	<u>\$246,314</u>	<u>\$250,000</u>	<u>\$4,752,065</u>	<u>\$227,635</u>

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

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

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

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

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

The annual accretion of interest was \$129,222. Total accreted interest of \$129,222 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
2014	\$10,000
2015	10,000
2016	10,000
2017	10,000
2018	10,000
2019	10,000

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

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

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

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

FY 2006 School Improvement Refunding Bonds - On July 13, 2005, the District issued \$1,475,000 in general obligation bonds to partially refund bonds previously issued in fiscal year 1998 for renovating, repairing, and improving existing school buildings. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2024. The bonds will be retired through the Bond Retirement debt service fund. The District received a significant settlement from a lawsuit in fiscal year 2007. These monies were used to defease \$1,025,000 of the outstanding 2006 Series bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. As of June 30, 2014, \$825,000 of the refunded bonds was still outstanding. The serial bonds were paid off with the 2013 refunding bond issue. During fiscal year 2013, the District defeased the remainder of these bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. As of June 30, 2014, \$450,000 of the refunded bonds were still outstanding.

FY 2006 General Obligation Bonds - On March 24, 2006, the District issued \$4,884,999, in general obligation bonds for constructing a school building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$845,000, \$3,950,000, and \$89,999, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2028. During fiscal year 2013 the District defeased a portion of these bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. The total debt service payments were reduced by \$277,216 and a net present value savings of \$213,302. As of June 30, 2014, \$3,950,000 of the refunded bonds were still outstanding. The remaining bonds will be retired through the Bond Retirement debt service fund.

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

<u>Maturity Date (December 1)</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2014	\$47,778	\$140,000
2015	42,221	140,000

The annual accretion of interest was \$29,067. Total accreted interest of \$159,825 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

The District's overall debt margin was \$4,107,686 with an unvoted debt margin of \$45,641 at June 30, 2014.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014 are as follows:

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

Year Ending June 30,	Serial	Term	Capital Appreciation	Interest	Total
2015		\$70,000	\$132,624	\$115,814	\$318,438
2016		70,000	117,200	130,577	317,777
2017		10,000	87,653	224,685	322,338
2018		10,000	65,214	241,913	317,127
2019		10,000	50,813	256,100	316,913
2020-2024	\$620,000	545,000	111,786	728,214	2,005,000
2025-2029		1,160,000		333,884	1,493,884
2030-2034		1,325,000		155,350	1,480,350
2035		290,000		4,712	294,712
Total	<u>\$620,000</u>	<u>\$3,490,000</u>	<u>\$565,290</u>	<u>\$2,191,249</u>	<u>\$6,866,539</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$25,011	\$1,491	\$26,502
2016	25,586	917	26,503
2017	26,178	325	26,503
Totals	<u>\$76,775</u>	<u>\$2,733</u>	<u>\$79,508</u>

14. SET-ASIDE CALCULATION

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

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

	Capital Acquisition
Current Year Set-aside Requirement	\$75,734
Current Year Offsets	(37,610)
Qualifying Disbursements	(57,701)
Total	<u>(\$19,577)</u>

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2014, the District paid \$21,282 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Northwestern Ohio Educational Research Council, Inc.

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

16. GROUP PURCHASING POOLS

A. Ohio School Plan

The District belongs to the Ohio School Plan (Plan), an unincorporated nonprofit association providing a formalized jointly administered self-insurance risk management program and other administrative services to approximately 300 Ohio schools (Members).

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

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

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$6,841,599	\$5,351,369
Liabilities	4,052,930	2,734,952
Members' Equity	2,788,669	2,616,417

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. GROUP PURCHASING POOLS (Continued)

B. Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Northern Buckeye Health Plan, Northwest Division of 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 \$553,286 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 OHI Workers' Compensation Group Rating Plan (WCGRP) was established through the Optimal Health Initiatives (OHI) 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 Optimal Health Initiatives has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

OHI has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$435 to WCGRP to cover the costs of administering the program.

17. RELATED ORGANIZATION

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

18. CONTINGENCIES

A. Federal and State Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

18. CONTINGENCIES (Continued)

B. Litigation

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

19. FUND BALANCE

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

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

<u>Fund Balance</u>	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Straight A Grant</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:					
Athletics				\$34,612	\$34,612
Food Service Operations				36,502	36,502
Facilities Maintenance		\$397,334			397,334
Debt Retirement				249,118	249,118
Building Construction				98,387	98,387
Total Restricted		397,334		418,619	815,953
Committed for:					
Athletic Facilities				202,412	202,412
Assigned for:					
Educational Activities	\$33,158				33,158
Unpaid Obligations (encumbrances)	27,610				27,610
2015 Appropriations	97,981				97,981
Total Assigned	158,749				158,749
Unassigned (Deficit)	1,566,466		(\$121,689)	(4,764)	1,440,013
Total Fund Balance	\$1,725,215	\$397,334	(\$121,689)	\$616,267	\$2,617,127

20. SUBSEQUENT EVENT

In April 2013, a blade from the District's wind turbine fell off, which caused the wind turbine to be out of the power generating mode for the District. In September 2014, a settlement was agreed to between the manufacturer, installer, and District. The settlement included a lump sum payment of \$285,945 and the removal of the entire turbine. The settlement payment was received and receipted on September 26, 2014.



Dave Yost • Auditor of State

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

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2014, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. We consider finding 2014-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

December 11, 2014

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2014

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

FINDING NUMBER 2014-001

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), which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

For 2014, the District prepared its 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). There would be variances on the financial statements between the District's accounting practice and GAAP, while presumably material, cannot be reasonably determined at this time. The District can 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 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 2014-002

Material Weakness – Budgetary Reporting

Section 2400.102 of the Codification of Governmental Accounting and Financial Reporting Standards requires budgetary comparisons to be presented for the General fund and for each major special revenue fund that has a legally adopted annual budget.

The budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis. A separate column to report the variance between the final budget and actual amounts is encouraged but not required.

The *original budget* is the first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior-year encumbrances.

FINDING NUMBER 2014-002 (Continued)

Material Weakness – Budgetary Reporting (Continued)

The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

The *actual amounts* are the amounts the District received or spent, based on what the Board legally authorized or approved the District to spend.

Adjustments to original budgeted receipts and appropriations were recorded to the District's Straight A Grant budgetary statement in the amounts of \$3,402,120 and \$617,752, respectively.

We recommend original and final estimated resources and appropriations be presented on the budgetary statements in accordance with Board approved amounts. We also recommend actual amounts presented in accordance with the presented fund's fiscal activity.

Officials' Response:

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) – for not preparing its annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as finding 2014-001 in this report.

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FAYETTE LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2014**