



Dave Yost • Auditor of State

**FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfield Local School District, Highland County, Ohio, as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 3, 2018

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

As management of the Fairfield Local School District, we offer readers of the Fairfield Local School District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here to enhance their understanding of the School District's financial performance.

Financial Highlights

In total, governmental net position increased \$940,266 during fiscal year 2017.

General revenues of the governmental activities accounted for \$10,254,893. Program specific revenues in the form of charges for services and sales and operating grants, contributions and interest accounted for \$2,126,391 of total revenues of \$12,381,284.

The School District had \$11,441,018 in expenses related to governmental activities; \$2,126,391 of these expenses were offset by program specific charges for services and sales and operating grants, contributions and interest.

Using the Basic Financial Statements

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

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

Reporting the Fairfield Local School District as a Whole

The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that demonstrates how the School District did financially during fiscal year 2017. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

Reporting the Fairfield Local School District's Most Significant Funds

Fund Financial Statements

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal years 2017 and 2016:

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

(Table 1)
Net Position

	Governmental Activities		
	2017	2016	Change
Assets:			
Current and Other Assets	\$9,724,696	\$8,804,002	\$920,694
Capital Assets, Net	17,458,511	16,989,447	469,064
Total Assets	<u>27,183,207</u>	<u>25,793,449</u>	<u>1,389,758</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	29,747	36,358	(6,611)
Pension	2,394,155	1,089,121	1,305,034
Total Deferred Outflows of Resources	<u>2,423,902</u>	<u>1,125,479</u>	<u>1,298,423</u>
Liabilities:			
Other Liabilities	899,826	1,347,105	(447,279)
Long-Term Liabilities:			
Due in One Year	316,634	319,028	(2,394)
Due More Than Year:			
Pension Liability	13,452,141	10,447,872	3,004,269
Other Amounts	5,541,519	6,140,023	(598,504)
Total Liabilities	<u>20,210,120</u>	<u>18,254,028</u>	<u>1,956,092</u>
Deferred Inflows of Resources:			
Deferred Charge on Refunding	31,473	37,564	(6,091)
Property Taxes	2,220,295	1,198,584	1,021,711
Pension	35,233	719,030	(683,797)
Total Deferred Inflows of Resources	<u>2,287,001</u>	<u>1,955,178</u>	<u>331,823</u>
Net Position:			
Net Invested in Capital Assets	12,021,223	11,259,989	761,234
Restricted	826,772	1,536,148	(709,376)
Unrestricted (Deficit)	(5,198,007)	(6,086,415)	888,408
Total Net Position	<u>\$7,649,988</u>	<u>\$6,709,722</u>	<u>\$940,266</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

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

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

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

Overall, an increase of \$1,389,758 occurred within total assets when compared to the prior fiscal year. Net investment in capital assets increased due to current year additions exceeding current year depreciation. Current and other assets increased mainly as a result of an increase in property taxes receivable. This was a result of Highland County receiving a triennial update in 2016.

Net Invested in Capital Assets increased due to current year additions exceeding depreciation. Unrestricted net position decreased \$888,408 as a result of the increase in property taxes.

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

(Table 2)
Change in Net Position

	Governmental Activities		Change
	2017	2016	
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$902,818	\$873,913	\$28,905
Operating Grants, Contributions and Interest	1,223,573	1,116,124	107,449
Total Program Revenues	<u>2,126,391</u>	<u>1,990,037</u>	<u>136,354</u>
General Revenues:			
Property Taxes	2,148,987	2,240,054	(91,067)
Grants and Entitlements not			
Restricted to Specific Programs	8,003,256	7,662,312	340,944
Interest	29,471	21,187	8,284
Miscellaneous	73,179	77,153	(3,974)
Total General Revenues	<u>10,254,893</u>	<u>10,000,706</u>	<u>254,187</u>
Total Revenues	<u>\$12,381,284</u>	<u>\$11,990,743</u>	<u>\$390,541</u>

(continued)

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

(Table 2)
Change in Net Position
(Continued)

	Governmental Activities		Change
	2017	2016	
Program Expenses:			
Instruction:			
Regular	\$4,809,183	\$4,330,840	\$478,343
Special	1,242,638	1,100,292	142,346
Vocational	195,528	117,623	77,905
Student Intervention Services	77	3,020	(2,943)
Support Services:			
Pupils	512,713	503,857	8,856
Instructional Staff	277,293	258,477	18,816
Board of Education	40,820	47,675	(6,855)
Administration	979,941	823,942	155,999
Fiscal	367,704	354,748	12,956
Business	380,943	107,000	273,943
Operation and Maintenance of Plant	1,098,128	772,710	325,418
Pupil Transportation	689,904	634,920	54,984
Central	179,577	126,899	52,678
Operation of Non-Instructional Services:			
Food Service Operations	375,598	434,753	(59,155)
Extracurricular Activities	87,957	178,246	(90,289)
Interest and Fiscal Charges	203,014	218,205	(15,191)
Total Expenses	<u>11,441,018</u>	<u>10,013,207</u>	<u>1,427,811</u>
Change in Net Position	<u>940,266</u>	<u>1,977,536</u>	<u>(\$1,041,305)</u>
Net Position at Beginning of Year	<u>6,709,722</u>	<u>4,732,186</u>	
Net Position at End of Year	<u><u>\$7,649,988</u></u>	<u><u>\$6,709,722</u></u>	

Overall, revenues increased \$390,541. Grants and entitlements not restricted to specific programs increased \$340,944. This is mainly due to an increase in state funding and an increase in open enrollment.

Overall, expenses increased \$1,427,811. Regular and special expenses increased, as well as, support services: business and operation and maintenance of plant offset by a decrease in a few other areas including extracurricular activities and operation of non instructional services: food service. Regular and special expenses increased due to 1.75 percent base salary increases and fringe benefit increases. The School District hired additional teachers as well as a Director of Special Programs during fiscal year 2017.

The School District's Funds

Information about the School District's major funds starts on page 13. The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,380,884 and expenditures of \$12,035,701.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The fund balance in the General Fund increased \$1,044,679. Intergovernmental revenue increased by \$546,905 mainly due to an increase in State funding and open enrollment.

The fund balance in the Debt Service Fund increased \$46,600, due to a decrease in the debt interest payment. In fiscal year 2016, the School District refunded debt and is making lower interest payments on their debt than in the prior year.

Overall, governmental fund revenue exceeded expenditures by \$345,183 during the fiscal year due to the School District monitoring spending.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated fund balance was \$390,888 more than the final budgeted amount for the General Fund. Final budgeted expenditures were \$303,016 more than actual expenditures. Original budgeted appropriations were less than final budgeted expenditures. This was primarily due to an increase in regular instruction related to salary and fringe benefit increases. Original budgeted revenues were \$2,210,537 less than final budgeted revenues primarily as a result of the School District conservatively estimating intergovernmental revenue on the Original Amended Certificate. The intergovernmental revenue was adjusted on the second Amended Certificate due to an increase in State funding and open enrollment.

Capital Assets

At the end of fiscal year 2017, the School District had \$17,458,511 invested in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks. Net capital assets increased \$469,064 from the prior fiscal year. This was due to additions for the current fiscal year being larger than depreciation expense. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

At June 30, 2017, the School District had outstanding general obligation bonds in the amount of \$4,339,999, for the purpose of paying for new construction, improvements and renovations to school facilities. Of these bonds \$235,000 are serial bonds, \$4,085,000 are term bonds and \$19,999 are capital appreciation bonds. The bonds were issued for a 28 year period, with final maturity in June 2043. The bonds will be paid from property tax revenues received in the Debt Service Fund.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

On September 2, 2015, the School District issued \$1,240,000 in refunding bonds for the purpose of advance refunding the 2006 School Improvement Bonds. At June 30, 2017, the School District had outstanding general obligation serial bonds in the amount of \$1,061,000. The bonds were issued for an 8 year period, with final maturity in December 2021. The bonds will be paid from property tax revenues received in the Debt Service Fund.

The School District's overall legal debt margin was \$1,987,453 with an unvoted debt margin of \$91,098 at June 30, 2017.

For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

Contacting the School District's Financial Management

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

Fairfield Local School District
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$7,209,338
Materials and Supplies Inventory	1,052
Inventory Held for Resale	4,889
Prepaid Items	16,692
Intergovernmental Receivable	17,154
Taxes Receivable	2,475,571
Capital Assets:	
Land	399,200
Construction in Progress	1,313,963
Depreciable Capital Assets, Net	15,745,348
 Total Assets	 27,183,207
Deferred Outflows of Resources:	
Deferred Charge on Refunding	29,747
Pension	2,934,155
 Total Deferred Outflows of Resources	 2,963,902
Liabilities:	
Accounts Payable	97,393
Accrued Wages and Benefits Payable	581,136
Intergovernmental Payable	199,879
Contracts Payable	5,425
Accrued Interest Payable	15,993
Long-Term Liabilities:	
Due Within One Year	316,634
Due in More Than One Year:	
Pension Liability - (See Note 11)	13,452,141
Other Amounts	5,541,519
 Total Liabilities	 20,210,120
Deferred Inflows of Resources:	
Deferred Charge on Refunding	31,473
Property Taxes	2,220,295
Pension	35,233
 Total Deferred Inflows of Resources	 2,287,001
Net Position:	
Net Investment in Capital Assets	12,021,223
Restricted for:	
Debt Service	645,504
Food Service	28,284
Classroom Facilities	61,655
Athletics	30,781
Miscellaneous State and Federal Grants	5,400
Other Purposes	29,113
Capital Outlay	26,035
Unrestricted (Deficit)	(5,198,007)
 Total Net Position	 \$7,649,988

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,809,183	\$687,769	\$47,902	(\$4,073,512)
Special	1,242,638	0	845,504	(397,134)
Vocational	195,528	0	94,240	(101,288)
Student Intervention Services	77	0	0	(77)
Support Services:				
Pupils	512,713	0	0	(512,713)
Instructional Staff	277,293	0	3,002	(274,291)
Board of Education	40,820	0	0	(40,820)
Administration	979,941	0	0	(979,941)
Fiscal	367,704	0	0	(367,704)
Business	380,943	0	0	(380,943)
Operation and Maintenance of Plant	1,098,128	746	0	(1,097,382)
Pupil Transportation	689,904	0	25,171	(664,733)
Central	179,577	0	0	(179,577)
Operation of Non-Instructional Services:				
Food Service Operations	375,598	137,834	196,333	(41,431)
Extracurricular Activities	87,957	76,469	11,421	(67)
Interest and Fiscal Charges	203,014	0	0	(203,014)
Total Governmental Activities	\$11,441,018	\$902,818	\$1,223,573	(9,314,627)
General Revenues:				
Property Taxes Levied for:				
				1,544,871
				511,501
				65,482
				27,133
Grants and Entitlements not				
				8,003,256
				29,471
				73,179
				10,254,893
				940,266
				6,709,722
				\$7,649,988

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District

Balance Sheet

Governmental Funds

June 30, 2017

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$6,188,417	\$778,673	\$242,248	\$7,209,338
Inventory Held for Resale	0	0	4,889	4,889
Materials and Supplies Inventory	0	0	1,052	1,052
Receivables:				
Taxes Receivable	1,763,103	567,323	145,145	2,475,571
Intergovernmental	17,154	0	0	17,154
Prepaid Items	16,692	0	0	16,692
Total Assets	<u>\$7,985,366</u>	<u>\$1,345,996</u>	<u>\$393,334</u>	<u>\$9,724,696</u>
Liabilities:				
Accounts Payable	\$79,137	\$0	\$18,256	\$97,393
Accrued Wages and Benefits Payable	527,129	0	54,007	581,136
Intergovernmental Payable	192,982	0	6,897	199,879
Contracts Payable	0	0	5,425	5,425
Total Liabilities	<u>799,248</u>	<u>0</u>	<u>84,585</u>	<u>883,833</u>
Deferred Inflows of Resources:				
Property Taxes	1,581,746	496,612	141,937	2,220,295
Unavailable Revenue	134,094	38,988	2,380	175,462
Total Deferred Inflows of Resources	<u>1,715,840</u>	<u>535,600</u>	<u>144,317</u>	<u>2,395,757</u>
Fund Balances:				
Nonspendable	16,692	0	1,052	17,744
Restricted	0	810,396	182,072	992,468
Assigned	201,390	0	0	201,390
Unassigned (Deficit)	5,252,196	0	(18,692)	5,233,504
Total Fund Balances	<u>5,470,278</u>	<u>810,396</u>	<u>164,432</u>	<u>6,445,106</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$7,985,366</u>	<u>\$1,345,996</u>	<u>\$393,334</u>	<u>\$9,724,696</u>

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balances \$6,445,106

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

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

Land	399,200	
Construction in progress	1,313,963	
Other capital assets	27,239,359	
Accumulated depreciation	<u>(11,494,011)</u>	
Total capital assets		17,458,511

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

Delinquent Property Taxes		175,462
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.

Deferred Outflows - Pension	2,934,155	
Deferred Inflows - Pension	(35,233)	
Net Pension Liability	<u>(13,452,141)</u>	

Total (10,553,219)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (15,993)

Deferred Outflows/Inflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds. (1,726)

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

Bonds payable	(4,320,000)	
Refunding Bonds payable	(1,061,000)	
Capital Appreciation Bonds payable	(19,999)	
Accretion on capital appreciation bonds	(43,333)	
Premium on debt issuance	(222,450)	
Compensated absences	<u>(191,371)</u>	

Total (5,858,153)

Net Position of Governmental Activities \$7,649,988

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$1,525,923	\$509,623	\$113,041	\$2,148,587
Intergovernmental	8,502,389	35,591	661,848	9,199,828
Interest	25,878	0	3,714	29,592
Tuition and Fees	687,769	0	0	687,769
Extracurricular Activities	746	0	54,533	55,279
Customer Services	0	0	137,834	137,834
Rent	21,936	0	0	21,936
Gifts and Donations	15,459	0	11,421	26,880
Miscellaneous	59,918	0	13,261	73,179
Total Revenues	10,840,018	545,214	995,652	12,380,884
Expenditures:				
Current:				
Instruction:				
Regular	4,485,906	0	99,361	4,585,267
Special	811,751	0	381,746	1,193,497
Vocational	156,396	0	8,392	164,788
Student Intervention Services	77	0	0	77
Support Services:				
Pupils	493,189	0	0	493,189
Instructional Staff	185,819	0	3,093	188,912
Board of Education	40,210	0	0	40,210
Administration	897,040	0	600	897,640
Fiscal	326,644	15,478	4,734	346,856
Business	51,169	0	329,774	380,943
Operation and Maintenance of Plant	739,941	0	531,152	1,271,093
Pupil Transportation	666,744	0	17,900	684,644
Central	177,467	0	0	177,467
Operation of Non-Instructional Services:				
Food Service Operations	28,963	0	365,065	394,028
Other	222	0	0	222
Extracurricular Activities	133,792	0	79,306	213,098
Capital Outlay	300,009	0	220,625	520,634
Debt Service:				
Principal Retirement	0	286,000	0	286,000
Interest and Fiscal Charges	0	197,136	0	197,136
Total Expenditures	9,495,339	498,614	2,041,748	12,035,701
Excess of Revenues Over (Under) Expenditures	1,344,679	46,600	(1,046,096)	345,183
Other Financing Sources (Uses):				
Transfers In	0	0	300,000	300,000
Transfers Out	(300,000)	0	0	(300,000)
Total Other Financing Sources (Uses)	(300,000)	0	300,000	0
Net Change in Fund Balances	1,044,679	46,600	(746,096)	345,183
Fund Balances at Beginning of Year	4,425,599	763,796	910,528	6,099,923
Fund Balances at End of Year	\$5,470,278	\$810,396	\$164,432	\$6,445,106

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$345,183

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

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

Capital assets additions	1,222,734
Depreciation expense	<u>(753,462)</u>

Excess of depreciation under capital outlay expense 469,272

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

Loss on Disposal of Capital Assets	(208)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues.

Delinquent Property Taxes	400
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 705,616

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities. (1,181,054)

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

Amortization of loss on refunding	(6,611)
Amortization of gain on refunding	6,091
Amortization of bond premium	13,963
Accretion on bonds	(20,000)
Accrued Interest on bonds	<u>679</u>

Total (5,878)

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

Bond principal retirement	286,000
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	<u>320,935</u>
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Change in Net Position of Governmental Activities \$940,266

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,305,000	\$1,864,640	\$1,637,050	(\$227,590)
Intergovernmental	6,689,522	8,195,941	8,485,235	289,294
Interest	12,806	15,690	25,878	10,188
Tuition and Fees	551,103	675,206	687,769	12,563
Extracurricular Activities	17,896	21,926	746	(21,180)
Rent	575	704	21,936	21,232
Gifts and Donations	12,005	14,709	15,459	750
Miscellaneous	47,195	57,823	60,438	2,615
Total Revenues	8,636,102	10,846,639	10,934,511	87,872
Expenditures:				
Current:				
Instruction:				
Regular	3,296,098	4,550,839	4,416,681	134,158
Special	608,168	839,681	800,359	39,322
Vocational	115,155	158,992	152,838	6,154
Student Intervention Services	217	300	77	223
Support Services:				
Pupils	370,769	511,912	492,576	19,336
Instructional Staff	142,017	196,079	192,506	3,573
Board of Education	47,046	64,955	63,529	1,426
Administration	656,449	906,342	888,413	17,929
Fiscal	259,490	358,271	350,558	7,713
Business	37,696	52,046	51,187	859
Operation and Maintenance of Plant	616,374	851,012	817,395	33,617
Pupil Transportation	525,633	725,728	694,861	30,867
Central	159,697	220,490	213,438	7,052
Operation of Non-Instructional Services:				
Food Service Operations	21,602	29,825	29,163	662
Extracurricular Activities	117,235	161,863	161,863	0
Capital Outlay	219,860	303,554	303,429	125
Total Expenditures	7,193,506	9,931,889	9,628,873	303,016
Excess of Revenues Over (Under) Expenditures	1,442,596	914,750	1,305,638	390,888
Other Financing Uses:				
Transfers Out	(300,000)	(300,000)	(300,000)	0
Net Change in Fund Balance	1,142,596	614,750	1,005,638	390,888
Fund Balance at Beginning of Year	4,717,470	4,717,470	4,717,470	0
Prior Year Encumbrances Appropriated	183,467	183,467	183,467	0
Fund Balance at End of Year	\$6,043,533	\$5,515,687	\$5,906,575	\$390,888

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust Fund		Scholarship Fund	Agency Fund
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$45,513			\$63,047
Liabilities:				
Undistributed Monies	0			\$63,047
Net Position:				
Held in Trust for Scholarships			\$45,513	

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Fund
	Scholarship
Additions:	
Interest	\$159
Deductions:	
Payments in Accordance with Trust Agreements	169
Change in Net Position	(10)
Net Position at Beginning of Year	45,523
Net Position at End of Year	\$45,513

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity

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

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

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 16 of the basic financial statements.

These organizations are:

Jointly Governed Organizations:

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Insurance Purchasing Pool:
Ohio School Boards Association Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

Debt Service Fund - The Debt Service Fund is used to account for and report the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, “available” means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported in the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources included deferred charges on refunding, property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 11). The details of these

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 14.

Expenses/Expenditures

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

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

Pensions

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

Cash and Cash Equivalents

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

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$25,878, which includes \$4,732 assigned from other School District funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

Capital Assets

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

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Internal Activity

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

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

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

Budgetary Process

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

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

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

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

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Estimates

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2017, the Title VI-B and Title I Special Education funds had deficit fund balances of \$6,000 and \$12,692, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

NOTE 4 - FUND BALANCES

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

Fairfield Local School District
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Fund Balances	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>				
Prepays	\$16,692	\$0	\$0	\$16,692
Inventory	0	0	1,052	1,052
<i>Total Nonspendable</i>	<u>16,692</u>	<u>0</u>	<u>1,052</u>	<u>17,744</u>
<i>Restricted for:</i>				
Debt Payment	0	810,396	0	810,396
Food Service Operations	0	0	30,520	30,520
Scholarships	0	0	29,113	29,113
Miscellaneous Grants	0	0	5,400	5,400
Extracurricular	0	0	30,781	30,781
Capital Maintenance	0	0	59,275	59,275
Capital Improvements	0	0	26,983	26,983
<i>Total Restricted</i>	<u>0</u>	<u>810,396</u>	<u>182,072</u>	<u>992,468</u>
<i>Assigned to:</i>				
Purchases on Order	201,390	0	0	201,390
<i>Unassigned (Deficit)</i>	<u>5,252,196</u>	<u>0</u>	<u>(18,692)</u>	<u>5,233,504</u>
<i>Total Fund Balances</i>	<u><u>\$5,470,278</u></u>	<u><u>\$810,396</u></u>	<u><u>\$164,432</u></u>	<u><u>\$6,445,106</u></u>

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$1,044,679
Adjustments:	
Revenue Accruals	94,493
Expenditure Accruals	148,308
Encumbrances	(281,842)
Budget Basis	<u><u>\$1,005,638</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) 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 be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2017, the School District only had an investment of \$3,766,916 in STAROhio, the State Treasurer's Investment Pool. This investment has an average maturity of 45.5 days and is valued at net asset value per share provided by STAROhio.

Interest Rate Risk:

The School District's investment policy follows State statute, which requires that an investment mature within five years of the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk:

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Fairfield Local School District
Notes to the Basic Financial Statements
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Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's investments are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District does not have a policy for custodial credit risk.

NOTE 7- PROPERTY TAXES

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

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

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

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

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

Fairfield Local School District
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The amount available as an advance at June 30, 2017, was \$47,263 in the General Fund, \$31,723 in the Debt Service Fund, and \$828 in the Classroom Facilities Maintenance Special Revenue Fund (Nonmajor Governmental Funds). The amount available as an advance at June 30, 2016, was \$158,390 in the General Fund, \$51,663 in the Debt Service Fund, \$27,942 in the Permanent Improvement Capital Projects Fund, and \$2,731 in the Classroom Facilities Maintenance Special Revenue Fund (Nonmajor Governmental Funds).

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

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

	2016 Second - Half Collections		2017 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$87,118,320	97.28%	\$88,478,760	97.12%
Public Utility Personal	2,437,430	2.72%	2,619,550	2.88%
Total Assessed Value	\$89,555,750	100.00%	\$91,098,310	100.00%
Tax rate per \$1,000 of assessed valuation	\$38.03		\$32.89	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental receivables consist of the following:

	Amounts
<u>Governmental Activities:</u>	
BWC Refund	\$13,119
Foundation Adjustment	4,035
Total Intergovernmental Receivables	\$17,154

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance at</u> <u>6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/17</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$399,200	\$0	\$0	\$399,200
Construction in Progress	<u>4,556,582</u>	<u>723,744</u>	<u>(3,966,363)</u>	<u>1,313,963</u>
Total Capital Assets Not Being Depreciated	<u>4,955,782</u>	<u>723,744</u>	<u>(3,966,363)</u>	<u>1,713,163</u>
Capital Assets Being Depreciated:				
Land Improvements	710,540	0	0	710,540
Buildings and Improvements	18,421,352	4,113,340	0	22,534,692
Furniture, Fixtures and Equipment	1,931,848	230,145	(25,000)	2,136,993
Vehicles	821,391	121,868	(57,000)	886,259
Textbooks	<u>970,875</u>	<u>0</u>	<u>0</u>	<u>970,875</u>
Totals Capital Assets Being Depreciated	<u>22,856,006</u>	<u>4,465,353</u>	<u>(82,000)</u>	<u>27,239,359</u>
Less Accumulated Depreciation:				
Land Improvements	(\$579,610)	(\$14,599)	\$0	(\$594,209)
Buildings and Improvements	(7,192,469)	(564,492)	0	(7,756,961)
Furniture, Fixtures and Equipment	(1,532,107)	(115,499)	24,792	(1,622,814)
Vehicles	(547,280)	(58,872)	57,000	(549,152)
Textbooks	<u>(970,875)</u>	<u>0</u>	<u>0</u>	<u>(970,875)</u>
Total Accumulated Depreciation	<u>(10,822,341)</u>	<u>(753,462) *</u>	<u>81,792</u>	<u>(11,494,011)</u>
Total Capital Assets Being Depreciated, Net	<u>12,033,665</u>	<u>3,711,891</u>	<u>(208)</u>	<u>15,745,348</u>
Governmental Activities Capital Assets, Net	<u>\$16,989,447</u>	<u>\$4,435,635</u>	<u>(\$3,966,571)</u>	<u>\$17,458,511</u>

* Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$289,744
Special	30,661
Vocational	23,530
Support Services:	
Pupils	15,713
Instructional Staff	94,286
Administration	57,674
Fiscal	17,075
Operation and Maintenance of Plant	62,913
Pupil Transportation	99,042
Central	2,110
Operation of Non-Instructional Services -	
Food Service Operations	48,012
Extracurricular Activities	12,702
Total Depreciation Expense	<u><u>\$753,462</u></u>

NOTE 10 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with Phelan Insurance Agency for property insurance coverage.

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

Workers' Compensation

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP. Each fiscal year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

Fairfield Local School District
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For the Fiscal Year Ended June 30, 2017

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report

Fairfield Local School District
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that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$172,004 for fiscal year 2017. Of this amount \$24,095 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary

Fairfield Local School District
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net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$533,612 for fiscal year 2017. Of this amount \$68,291 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.03750130%	0.03006111%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.03794290%</u>	<u>0.03189157%</u>	
Change in Proportionate Share	<u>0.00044160%</u>	<u>0.00183046%</u>	
Proportionate Share of the Net Pension Liability	\$2,777,071	\$10,675,070	\$13,452,141
Pension Expense	\$284,700	\$896,354	\$1,181,054

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fairfield Local School District
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For the Fiscal Year Ended June 30, 2017

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$37,456	\$431,324	\$468,780
Changes of assumptions	185,385	0	185,385
Net difference between projected and actual earnings on pension plan investments	229,068	886,318	1,115,386
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	23,015	435,973	458,988
School District contributions subsequent to the measurement date	<u>172,004</u>	<u>533,612</u>	<u>705,616</u>
Total Deferred Outflows of Resources	<u>\$646,928</u>	<u>\$2,287,227</u>	<u>\$2,934,155</u>
Deferred Inflows of Resources:			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$26,799</u>	<u>\$8,434</u>	<u>\$35,233</u>

\$705,616 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$108,964	\$314,804	\$423,768
2019	108,798	314,805	423,603
2020	164,514	654,908	819,422
2021	<u>65,849</u>	<u>460,664</u>	<u>526,513</u>
Total	<u>\$448,125</u>	<u>\$1,745,181</u>	<u>\$2,193,306</u>

Actuarial Assumptions - SERS

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015 are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent 3 percent	4.00 percent to 22.00 percent 3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Fairfield Local School District
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For the Fiscal Year Ended June 30, 2017

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,676,668	\$2,777,071	\$2,024,070

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$14,186,300	\$10,675,070	\$7,713,140

Changes between Measurement Date and Report Date

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

Social Security System

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$20,116.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$20,116, \$17,130, and \$26,077, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

Fairfield Local School District
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State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

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

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

Insurance Benefits

For fiscal year 2017, medical/surgical and prescription drug insurance is offered to employees through Anthem Blue Cross and Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with the employee, depending on the terms of the contract.

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

Fairfield Local School District
Notes to the Basic Financial Statements
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Retirement Incentive

An employee, covered by the master contract, who retires between July 1, 2014, and June 30, 2017, will receive a retirement incentive bonus using the following formula:

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

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

The following restrictions apply to this incentive:

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

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

No employee's accepted the retirement incentive bonus during fiscal year 2017.

Fairfield Local School District
Notes to the Basic Financial Statements
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NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/16	Additions	Deductions	Amount Outstanding 6/30/17	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2015 School Improvement					
General Obligation Bonds:					
Serial Bonds 1.00% to 2.00%	\$350,000	\$0	\$115,000	\$235,000	\$115,000
Term Bonds 2.00% to 4.00%	4,085,000	0	0	4,085,000	0
Capital Appreciation Bonds	19,999	0	0	19,999	0
Accretion on Capital Appreciation Bonds	23,333	20,000	0	43,333	0
Premium on Debt Issuance	195,160	0	7,273	187,887	0
2015 School Improvement					
Refunding Bonds:					
Serial Bonds 3.42%	1,232,000	0	171,000	1,061,000	181,000
Premium on Debt Issuance	41,253	0	6,690	34,563	0
Total General Obligation Bonds	<u>5,946,745</u>	<u>20,000</u>	<u>299,963</u>	<u>5,666,782</u>	<u>296,000</u>
Net Pension Liability:					
STRS	8,308,013	2,367,057	0	10,675,070	0
SERS	2,139,859	637,212	0	2,777,071	0
Total Net Pension Liability	<u>10,447,872</u>	<u>3,004,269</u>	<u>0</u>	<u>13,452,141</u>	<u>0</u>
Compensated Absences	512,306	29,564	350,499	191,371	20,634
Total Governmental Activities					
Long-Term Liabilities	<u>\$16,906,923</u>	<u>\$3,053,833</u>	<u>\$650,462</u>	<u>\$19,310,294</u>	<u>\$316,634</u>

School Improvement General Obligation Bonds 2015

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

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

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

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal year 2020. The maturity amount of the capital appreciation bonds will be \$270,925. For fiscal year 2017, the capital appreciation bonds were accreted \$20,000.

School Improvement Refunding Bonds 2015

On September 2, 2015 the School District issued \$1,240,000 in Series 2015 refunding bonds in order to refund the 2006 Refunding Bonds in order to take advantage of lower interest rates. These bonds are paid from the Debt Service Fund and will mature on December 1, 2021. At June 30, 2017, \$1,061,000 of the refunded bonds were still outstanding.

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

Fairfield Local School District
Notes to the Basic Financial Statements
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Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2018	\$296,000	\$188,816	\$0	\$0	\$0	\$0	\$484,816
2019	309,000	180,189	0	0	0	0	489,189
2020	218,000	19,904	0	150,925	19,999	100,001	508,829
2021	232,000	12,209	120,000	150,925	0	0	515,134
2022	241,000	4,121	120,000	148,525	0	0	513,646
2023-2027	0	0	660,000	692,075	0	0	1,352,075
2028-2032	0	0	790,000	564,025	0	0	1,354,025
2033-2037	0	0	965,000	392,425	0	0	1,357,425
2038-2042	0	0	1,170,000	185,413	0	0	1,355,413
2043-2045	0	0	260,000	9,750	0	0	269,750
Total	<u>\$1,296,000</u>	<u>\$405,239</u>	<u>\$4,085,000</u>	<u>\$2,294,063</u>	<u>\$19,999</u>	<u>\$100,001</u>	<u>\$8,200,302</u>

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund, Permanent Improvement Capital Projects Fund, and the Food Service, Title VI-B and Title I Special Revenue Funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Food Service, Title VIB, Title I and the Permanent Improvement funds. For additional information related to the net pension liability see Note 11.

The School District's overall legal debt margin was \$1,987,453 with an unvoted debt margin of \$91,098 at June 30, 2017.

NOTE 15 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2017, were as follows:

Transfer From	Transfer To
	Nonmajor Governmental Funds
General Fund	<u>\$300,000</u>

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

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

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. The subcontract agreement is currently set to expire after October 31, 2017. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$132,643 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments through META Solutions, David Varda, CFO, 100 Executive Drive, Marion Ohio 43302.

Great Oaks Institute of Technology and Career Development

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

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Ohio School Boards Association Workers' Compensation Group Rating Plan

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

NOTE 17 - SET-ASIDES

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

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2016	\$0
Current Fiscal Year Set-aside Requirement	169,554
Current Fiscal Year Offsets	(61,477)
Qualifying Disbursements	<u>(108,077)</u>
Totals	<u>\$0</u>
Set-aside Balance as of June 30, 2017	<u>\$0</u>

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

NOTE 18 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor

Fairfield Local School District
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For the Fiscal Year Ended June 30, 2017

agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the affect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

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

NOTE 19 – SIGNIFICANT COMMITMENTS

Contractual Commitments

The following table provides a summary of the outstanding contractual commitments as of June 30, 2017:

Project	Contract Amount	Amount Expended	Amount Remaining
Brad R. Roades, Landscapes & Outer Spaces LLC	\$15,788	\$10,515	\$5,273

Encumbrances

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

General Fund	\$281,842
Other Governmental Funds	76,354
Total	<u>\$358,196</u>

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Fairfield Local School District
Required Supplementary Information

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.03794290%	0.03750130%	0.0383970%	0.0383970%
School District's Proportionate Share of the Net Pension Liability	\$2,777,071	\$2,139,859	\$1,943,250	\$2,283,346
School District's Covered Payroll	\$1,224,564	\$1,134,400	\$1,105,099	\$1,071,305
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	226.78%	188.63%	175.84%	213.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

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

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.03189157%	0.03006111%	0.03008676%	0.0300868%
School District's Proportionate Share of the Net Pension Liability	\$10,675,070	\$8,308,013	\$7,318,141	\$8,717,322
School District's Covered Payroll	\$3,603,471	\$3,132,371	\$3,053,169	\$3,139,131
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	296.24%	265.23%	239.69%	277.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

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

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$172,004	\$171,439	\$149,474	\$153,167
Contributions in Relation to the Contractually Required Contribution	<u>(172,004)</u>	<u>(171,439)</u>	<u>(149,474)</u>	<u>(153,167)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,228,600	\$1,224,564	\$1,134,400	\$1,105,099
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$148,269	\$157,396	\$168,977	\$91,771	\$84,301	\$85,093
<u>(148,269)</u>	<u>(157,396)</u>	<u>(168,977)</u>	<u>(91,771)</u>	<u>(84,301)</u>	<u>(85,093)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,071,305	\$1,170,228	\$1,344,285	\$677,778	\$856,722	\$866,528
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$533,612	\$504,486	\$438,532	\$396,912
Contributions in Relation to the Contractually Required Contribution	<u>(533,612)</u>	<u>(504,486)</u>	<u>(438,532)</u>	<u>(396,912)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,811,514	\$3,603,471	\$3,132,371	\$3,053,169
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$408,087	\$406,405	\$406,592	\$386,702	\$387,274	\$379,964
<u>(408,087)</u>	<u>(406,405)</u>	<u>(406,592)</u>	<u>(386,702)</u>	<u>(387,274)</u>	<u>(379,964)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,139,131	\$3,126,192	\$3,127,631	\$2,974,631	\$2,979,031	\$2,922,800
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Fairfield Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfield Local School District, Highland County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 3, 2018

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

As management of the Fairfield Local School District, we offer readers of the Fairfield Local School District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here to enhance their understanding of the School District's financial performance.

Financial Highlights

In total, governmental net position increased \$1,977,536 during fiscal year 2016.

General revenues of the governmental activities accounted for \$10,000,706. Program specific revenues in the form of charges for services and sales and operating grants, contributions and interest accounted for \$1,990,037 of total revenues of \$11,990,743.

The School District had \$10,013,207 in expenses related to governmental activities; \$1,990,037 of these expenses were offset by program specific charges for services and sales and operating grants, contributions and interest.

Using the Basic Financial Statements

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

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

Reporting the Fairfield Local School District as a Whole

The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that demonstrates how the School District did financially during fiscal year 2016. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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

Reporting the Fairfield Local School District's Most Significant Funds

Fund Financial Statements

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal years 2016 and 2015:

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

(Table 1)
Net Position

	Governmental Activities		
	2016	2015	Change
Assets:			
Current and Other Assets	\$8,804,002	\$10,821,212	(\$2,017,210)
Capital Assets, Net	16,989,447	12,952,143	4,037,304
Total Assets	<u>25,793,449</u>	<u>23,773,355</u>	<u>2,020,094</u>
Deferred Outflows of Resources:			
Refunding	36,358	42,969	(6,611)
Pension	1,089,121	674,998	414,123
Total Deferred Outflows of Resources	<u>1,125,479</u>	<u>717,967</u>	<u>407,512</u>
Liabilities:			
Other Liabilities	1,347,105	741,251	605,854
Long-Term Liabilities			
Due in One Year	319,028	234,608	84,420
Due More Than Year:			
Pension Liability	10,447,872	9,261,391	1,186,481
Other Amounts	6,140,023	6,386,179	(246,156)
Total Liabilities	<u>18,254,028</u>	<u>16,623,429</u>	<u>1,630,599</u>
Deferred Inflows of Resources:			
Refunding	37,564	0	37,564
Property Taxes	1,198,584	1,466,428	(267,844)
Pension	719,030	1,669,279	(950,249)
Total Deferred Inflows of Resources	<u>1,955,178</u>	<u>3,135,707</u>	<u>(1,180,529)</u>
Net Position:			
Net Invested in Capital Assets	11,259,989	11,596,351	(336,362)
Restricted	1,536,148	1,173,124	363,024
Unrestricted (Deficit)	(6,086,415)	(8,037,289)	1,950,874
Total Net Position	<u>\$6,709,722</u>	<u>\$4,732,186</u>	<u>\$1,977,536</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

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

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

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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

Overall, an increase of \$2,020,094 occurred within total assets when compared to the prior fiscal year. Net investment in capital assets decreased due to current year depreciation exceeding current year additions as well as making current year debt payments. Current and other assets decreased as a result of a decrease in equity in pooled cash and cash equivalents of \$1,857,421. This was a result of the debt proceeds being used in the Elementary Construction fund.

Net Invested in Capital Assets decreased due to current year depreciation. Unrestricted net position increased \$1,950,874 as a result of a decrease in net pension liability stemming from pension investment revenues exceeding expectations.

Table 2 shows the changes in net position for fiscal years 2016 and 2015.

(Table 2)
Change in Net Position

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2016</u>	<u>2015</u>	
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$873,913	\$842,980	\$30,933
Operating Grants, Contributions and Interest	1,116,124	1,012,757	103,367
Total Program Revenues	<u>1,990,037</u>	<u>1,855,737</u>	<u>134,300</u>
General Revenues:			
Property Taxes	2,240,054	1,969,666	270,388
Grants and Entitlements not Restricted to Specific Programs	7,662,312	6,053,927	1,608,385
Interest	21,187	7,773	13,414
Miscellaneous	77,153	62,709	14,444
Total General Revenues	<u>10,000,706</u>	<u>8,094,075</u>	<u>1,906,631</u>
Total Revenues	<u>\$11,990,743</u>	<u>\$9,949,812</u>	<u>\$2,040,931</u>

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

(Table 2)
Change in Net Position
(Continued)

	Governmental Activities		Change
	2016	2015	
Program Expenses:			
Instruction:			
Regular	\$4,330,840	\$4,132,212	\$198,628
Special	1,100,292	965,394	134,898
Vocational	117,623	121,413	(3,790)
Student Intervention Services	3,020	2,090	930
Support Services:			
Pupils	503,857	413,545	90,312
Instructional Staff	258,477	287,576	(29,099)
Board of Education	47,675	48,649	(974)
Administration	823,942	792,915	31,027
Fiscal	354,748	338,000	16,748
Business	107,000	98,825	8,175
Operation and Maintenance of Plant	772,710	694,375	78,335
Pupil Transportation	634,920	512,316	122,604
Central	126,899	121,273	5,626
Operation of Non-Instructional Services:			
Food Service Operations	434,753	353,741	81,012
Extracurricular Activities	178,246	190,165	(11,919)
Interest and Fiscal Charges	218,205	203,826	14,379
Total Expenses	<u>10,013,207</u>	<u>9,276,315</u>	<u>736,892</u>
Change in Net Position	1,977,536	673,497	<u>(\$10,686,704)</u>
Net Position at Beginning of Year	<u>4,732,186</u>	<u>4,058,689</u>	
Net Position at End of Year	<u>\$6,709,722</u>	<u>\$4,732,186</u>	

Overall, revenues increased \$2,040,931. Grants and entitlements not restricted to specific programs increased \$1,608,385. This is mainly due to an increase in state funding and open enrollment.

Overall, expenses increased \$736,892. Regular and special expenses increased, offset by a decrease in a few other areas including vocational, instructional staff and extracurricular activities.

The School District's Funds

Information about the School District's major funds starts on page 13. The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,963,467 and expenditures of \$14,386,128.

The fund balance in the General Fund increased \$1,769,096. Intergovernmental revenue increased by \$1,631,260 mainly due to an increase in State funding and open enrollment. Although expenditures did increase from the prior fiscal year, revenues still exceeded expenditures.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The fund balance in the Debt Service Fund increased \$27,560. The revenues that the School District received from property taxes and intergovernmental sources exceeded the expenditures by the School District.

The fund balance in the Elementary Construction Fund decreased \$4,173,062 due to the funds used for improvements from the prior year issuance of general obligation bonds related to the new elementary construction project.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated fund balance was \$582,911 more than the final budgeted amount for the General Fund. Final budgeted expenditures were \$584,500 more than actual expenditures. Original budgeted appropriations were \$3,210,765 less than final budgeted expenditures. This was primarily due to an increase in regular instruction of \$1,011,070. Original budgeted revenues were \$2,234,739 less than final budgeted revenues primarily as a result of the School District conservatively estimating intergovernmental revenue on the Original Amended Certificate. The intergovernmental revenue was adjusted on the second Amended Certificate due to an increase in State funding and open enrollment.

Capital Assets

At the end of fiscal year 2016, the School District had \$16,989,447 invested in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks. Net capital assets increased \$4,037,304 from the prior fiscal year. This was due to additions for the current fiscal year being significantly larger than depreciation expense. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

At June 30, 2016, the School District had outstanding general obligation bonds in the amount of \$4,454,999, for the purpose of paying for new construction, improvements and renovations to school facilities. Of these bonds \$350,000 are serial bonds, \$4,085,000 are term bonds and \$19,999 are capital appreciation bonds. The bonds were issued for a 28 year period, with final maturity in June 2043. The bonds will be paid from property tax revenues received in the Debt Service Fund.

On September 2, 2015, the School District issued \$1,240,000 in refunding bonds for the purpose of advance refunding the 2006 School Improvement Bonds. Of these bonds, \$1,240,000 are serial bonds. The bonds were issued for a 8 year period, with final maturity in December 2021. The bonds will be paid from property tax revenues received in the Debt Service Fund.

Fairfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

Contacting the School District's Financial Management

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

Fairfield Local School District
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$7,150,144
Materials and Supplies Inventory	1,069
Inventory Held for Resale	3,803
Accounts Receivable	520
Intergovernmental Receivable	34,094
Taxes Receivable	1,614,372
Capital Assets:	
Land	399,200
Construction in Progress	4,556,582
Depreciable Capital Assets, Net	12,033,665
 Total Assets	 25,793,449
 Deferred Outflows of Resources:	
Deferred Charge on Refunding	36,358
Pension	1,089,121
 Total Deferred Outflows of Resources	 1,125,479
 Liabilities:	
Accounts Payable	40,531
Accrued Wages and Benefits Payable	558,654
Intergovernmental Payable	119,225
Matured Compensated Absences Payable	5,526
Contracts Payable	457,906
Accrued Interest Payable	16,672
Retainage Payable	148,591
Long-Term Liabilities:	
Due Within One Year	319,028
Due in More Than One Year:	
Pension Liability - (See Note 11)	10,447,872
Other Amounts	6,140,023
 Total Liabilities	 18,254,028
 Deferred Inflows of Resources:	
Deferred Charge on Refunding	37,564
Property Taxes	1,198,584
Pension	719,030
 Total Deferred Inflows of Resources	 1,955,178
 Net Position:	
Net Investment in Capital Assets	11,259,989
Restricted for:	
Debt Service	589,074
Food Service	51,999
Classroom Facilities	115,947
Athletics	30,872
Miscellaneous State and Federal Grants	331
Other Purposes	28,992
Capital Outlay	718,933
Unrestricted (Deficit)	(6,086,415)
 Total Net Position	 \$6,709,722

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,330,840	\$677,879	\$40,167	(\$3,612,794)
Special	1,100,292	0	750,767	(349,525)
Vocational	117,623	0	50,871	(66,752)
Student Intervention Services	3,020	0	0	(3,020)
Support Services:				
Pupils	503,857	0	0	(503,857)
Instructional Staff	258,477	0	3,000	(255,477)
Board of Education	47,675	0	0	(47,675)
Administration	823,942	0	0	(823,942)
Fiscal	354,748	0	0	(354,748)
Business	107,000	0	0	(107,000)
Operation and Maintenance of Plant	772,710	496	0	(772,214)
Pupil Transportation	634,920	0	17,585	(617,335)
Central	126,899	0	0	(126,899)
Operation of Non-Instructional Services:				
Food Service Operations	434,753	132,972	243,939	(57,842)
Extracurricular Activities	178,246	62,566	9,795	(105,885)
Interest and Fiscal Charges	218,205	0	0	(218,205)
Total Governmental Activities	\$10,013,207	\$873,913	\$1,116,124	(8,023,170)
		General Revenues:		
		Property Taxes Levied for:		
				1,500,889
				436,861
				275,152
				27,152
		Grants and Entitlements not		
				7,662,312
				21,187
				77,153
		Total General Revenues		
				10,000,706
		Change in Net Position		
				1,977,536
		Net Position at Beginning of Year		
				4,732,186
		Net Position at End of Year		
				\$6,709,722

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District

Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Debt Service Fund	Elementary Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$4,895,376	\$712,133	\$897,729	\$644,906	\$7,150,144
Inventory Held for Resale	0	0	0	3,803	3,803
Materials and Supplies Inventory	0	0	0	1,069	1,069
Receivables:					
Taxes Receivable	1,250,604	255,841	0	107,927	1,614,372
Intergovernmental	0	0	0	34,094	34,094
Accounts	520	0	0	0	520
Interfund	5,617	0	0	0	5,617
Total Assets	\$6,152,117	\$967,974	\$897,729	\$791,799	\$8,809,619
Liabilities:					
Accounts Payable	\$32,708	\$0	\$0	\$7,823	\$40,531
Accrued Wages and Benefits Payable	482,700	0	0	75,954	558,654
Interfund Payable	0	0	0	5,617	5,617
Intergovernmental Payable	113,370	0	0	5,855	119,225
Matured Compensated Absences Payable	5,526	0	0	0	5,526
Contracts Payable	0	0	457,906	0	457,906
Retainage Payable	0	0	148,591	0	148,591
Total Liabilities	634,304	0	606,497	95,249	1,336,050
Deferred Inflows of Resources:					
Property Taxes	977,068	167,068	0	54,448	1,198,584
Unavailable Revenue	115,146	37,110	0	22,806	175,062
Total Deferred Inflows of Resources	1,092,214	204,178	0	77,254	1,373,646
Fund Balances:					
Nonspendable	0	0	0	1,069	1,069
Restricted	0	763,796	291,232	652,805	1,707,833
Assigned	150,759	0	0	0	150,759
Unassigned (Deficit)	4,274,840	0	0	(34,578)	4,240,262
Total Fund Balances	4,425,599	763,796	291,232	619,296	6,099,923
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$6,152,117	\$967,974	\$897,729	\$791,799	\$8,809,619

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2016

Total Governmental Fund Balances \$6,099,923

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

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

Land	399,200	
Construction in progress	4,556,582	
Other capital assets	22,856,006	
Accumulated depreciation	<u>(10,822,341)</u>	
Total capital assets		16,989,447

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

Delinquent Property Taxes		175,062
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.

Deferred Outflows - Pension	1,089,121	
Deferred Inflows - Pension	(719,030)	
Net Pension Liability	<u>(10,447,872)</u>	(10,077,781)

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

(16,672)

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

(1,206)

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

Bonds payable	(4,435,000)	
Refunding Bonds payable	(1,232,000)	
Capital Appreciation Bonds payable	(19,999)	
Accretion on capital appreciation bonds	(23,333)	
Premium on debt issuance	(236,413)	
Compensated absences	<u>(512,306)</u>	<u>(6,459,051)</u>

Net Position of Governmental Activities \$6,709,722

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Debt Service Fund	Elementary Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$1,494,852	\$413,503	\$0	\$304,423	\$2,212,778
Intergovernmental	7,955,484	33,486	0	772,672	8,761,642
Interest	11,025	0	10,162	132	21,319
Tuition and Fees	677,879	0	0	0	677,879
Extracurricular Activities	299	0	0	62,267	62,566
Customer Services	0	0	0	132,972	132,972
Rent	496	0	0	0	496
Gifts and Donations	6,867	0	0	9,795	16,662
Miscellaneous	55,925	1,667	0	19,561	77,153
Total Revenues	10,202,827	448,656	10,162	1,301,822	11,963,467
Expenditures:					
Current:					
Instruction:					
Regular	4,172,929	0	0	73,361	4,246,290
Special	663,885	0	0	419,098	1,082,983
Vocational	92,612	0	0	4,380	96,992
Student Intervention Services	3,020	0	0	0	3,020
Support Services:					
Pupils	493,690	0	0	0	493,690
Instructional Staff	175,475	0	0	4,325	179,800
Board of Education	47,805	0	0	0	47,805
Administration	783,764	0	0	684	784,448
Fiscal	322,623	10,690	0	12,026	345,339
Business	33,070	0	0	136,881	169,951
Operation and Maintenance of Plant	618,839	0	0	358,957	977,796
Pupil Transportation	551,305	0	0	24,934	576,239
Central	124,789	0	0	0	124,789
Operation of Non-Instructional Services:					
Food Service Operations	26,850	0	0	376,810	403,660
Extracurricular Activities	102,988	0	0	81,337	184,325
Capital Outlay	53,343	0	4,183,224	0	4,236,567
Debt Service:					
Principal Retirement	0	107,531	0	0	107,531
Interest and Fiscal Charges	0	219,434	0	0	219,434
Interest paid on Capital Appreciation Bonds	0	105,469	0	0	105,469
Total Expenditures	8,266,987	443,124	4,183,224	1,492,793	14,386,128
Excess of Revenues Over (Under) Expenditures	1,935,840	5,532	(4,173,062)	(190,971)	(2,422,661)
Other Financing Sources (Uses):					
Refunding Bonds Issued	0	1,240,000	0	0	1,240,000
Premium on Refunding Bonds Issued	0	46,828	0	0	46,828
Payment to Refunded Bond Escrow Agent	0	(1,264,800)	0	0	(1,264,800)
Transfers In	0	0	0	166,744	166,744
Transfers Out	(166,744)	0	0	0	(166,744)
Total Other Financing Sources (Uses)	(166,744)	22,028	0	166,744	22,028
Net Change in Fund Balances	1,769,096	27,560	(4,173,062)	(24,227)	(2,400,633)
Fund Balances at Beginning of Year	2,656,503	736,236	4,464,294	643,523	8,500,556
Fund Balances at End of Year	\$4,425,599	\$763,796	\$291,232	\$619,296	\$6,099,923

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds (\$2,400,633)

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

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

Capital assets additions	4,691,276	
Depreciation expense	(653,957)	
Excess of depreciation over capital outlay expense	4,037,319	4,037,319

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

Loss on Disposal of Capital Assets		(15)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues.

Delinquent Property Taxes		27,276
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Bond proceeds and bond premiums are reported as other financing sources and uses in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Proceeds of refunding bonds	(1,240,000)	
Premium on refunding bonds	(46,828)	
	(1,286,828)	(1,286,828)

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

675,925

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

(498,034)

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

Amortization of loss on refunding	(6,611)	
Amortization of gain on refunding	5,076	
Amortization of bond premium	12,848	
Accretion on bonds	(28,221)	
Payment of accretion on capital appreciation bonds	105,469	
Accrued Interest on bonds	18,137	
	106,698	

Total 106,698

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

In the current fiscal year, this amount consisted of:

Bond principal retirement	107,531	
Payment to refunded bond escrow agent	1,264,800	
	1,372,331	

Total 1,372,331

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

Increase in compensated absences		(56,503)
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Change in Net Position of Governmental Activities \$1,977,536

Fairfield Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,438,000	\$1,479,335	\$1,479,939	\$604
Intergovernmental	6,334,000	7,939,137	7,955,484	16,347
Interest	3,200	8,966	11,025	2,059
Tuition and Fees	108,100	657,924	677,879	19,955
Extracurricular Activities	9,000	296	299	3
Rent	1,000	445	496	51
Gifts and Donations	1,700	6,776	6,867	91
Miscellaneous	15,500	52,360	52,965	605
Total Revenues	7,910,500	10,145,239	10,184,954	39,715
Expenditures:				
Current:				
Instruction:				
Regular	3,691,047	4,702,117	4,190,783	511,334
Special	412,115	689,705	689,418	287
Vocational	85,193	104,689	104,689	0
Student Intervention Services	0	4,600	3,020	1,580
Support Services:				
Pupils	206,269	527,969	518,963	9,006
Instructional Staff	69,468	208,701	179,658	29,043
Board of Education	73,485	74,885	58,411	16,474
Administration	471,301	783,094	783,094	0
Fiscal	134,215	330,021	330,021	0
Business	18,649	38,567	35,219	3,348
Operation and Maintenance of Plant	413,742	641,612	641,612	0
Pupil Transportation	232,040	572,206	572,206	0
Central	2,264	146,564	136,131	10,433
Operation of Non-Instructional Services:				
Food Service Operations	222	28,222	27,330	892
Extracurricular Activities	49,884	102,707	102,707	0
Capital Outlay	0	115,000	112,897	2,103
Total Expenditures	5,859,894	9,070,659	8,486,159	584,500
Excess of Revenues Over (Under) Expenditures	2,050,606	1,074,580	1,698,795	624,215
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	8,000	2,000	2,440	440
Insurance Recoveries	0	12,500	12,500	0
Transfers Out	0	(125,000)	(166,744)	(41,744)
Total Other Financing Sources (Uses)	8,000	(110,500)	(151,804)	(41,304)
Net Change in Fund Balance	2,058,606	964,080	1,546,991	582,911
Fund Balance at Beginning of Year	2,959,174	2,959,174	2,959,174	0
Prior Year Encumbrances Appropriated	211,305	211,305	211,305	0
Fund Balance at End of Year	\$5,229,085	\$4,134,559	\$4,717,470	\$582,911

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Private Purpose Trust Fund</u>	
	<u>Scholarship Fund</u>	<u>Agency Fund</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$45,523	<u>\$55,415</u>
Liabilities:		
Undistributed Monies	<u>0</u>	<u>\$55,415</u>
Net Position:		
Held in Trust for Scholarships	<u>\$45,523</u>	

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$551
Deductions:	
Payments in Accordance with Trust Agreements	0
Change in Net Position	551
Net Position at Beginning of Year	44,972
Net Position at End of Year	\$45,523

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity

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

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

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 16 of the basic financial statements.

These organizations are:

Jointly Governed Organizations:

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Insurance Purchasing Pool:
Ohio School Boards Association Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

Debt Service Fund - The Debt Service Fund is used to account for and report the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported in the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources included property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 11).

Expenses/Expenditures

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

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

Pensions

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

Cash and Cash Equivalents

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

Fairfield Local School District
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During fiscal year 2016, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$11,025, which includes \$5,750 assigned from other School District funds.

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

Inventory

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

Capital Assets

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

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

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

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

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

Internal Activity

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

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

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

Budgetary Process

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed.

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

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

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

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

Estimates

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2016, the Title VI-B and Title I Special Education funds had deficit fund balances of \$20,644 and \$13,934, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

NOTE 4 - FUND BALANCES

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund Balances	General Fund	Debt Service Fund	Elementary Construction Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>					
Inventory	\$0	\$0	\$0	\$1,069	\$1,069
<i>Restricted for:</i>					
Debt Payment	0	763,796	0	0	763,796
Food Service Operations	0	0	0	61,401	61,401
Scholarships	0	0	0	28,992	28,992
Miscellaneous Grants	0	0	0	331	331
Extracurricular	0	0	0	30,872	30,872
Capital Maintenance	0	0	0	113,902	113,902
Capital Improvements	0	0	291,232	417,307	708,539
<i>Total Restricted</i>	0	763,796	291,232	652,805	1,707,833
<i>Assigned to:</i>					
Purchases on Order	150,759	0	0	0	150,759
<i>Unassigned</i>	4,274,840	0	0	(34,578)	4,240,262
<i>Total Fund Balances</i>	\$4,425,599	\$763,796	\$291,232	\$619,296	\$6,099,923

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$1,769,096
Adjustments:	
Revenue Accruals	(2,933)
Expenditure Accruals	(35,705)
Encumbrances	(183,467)
Budget Basis	<u><u>\$1,546,991</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) 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 be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Investments

Investments are reported at fair value. As of June 30, 2016, the School District only had an investment of \$1,255,317 in STAROhio, the State Treasurer's Investment Pool. This investment has an average maturity of less than one year and is valued at net asset value per share provided by STAROhio.

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. 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 School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

STAROhio and the Goldman Sachs Financial Square Government Mutual Fund both carry ratings of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's investments are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District does not have a policy for custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District places no limit on the amount it may invest in any one issuer.

NOTE 7- PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

to be established.

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

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

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2016, was \$158,390 in the General Fund, \$51,663 in the Debt Service Fund, \$27,942 in the Permanent Improvement Capital Projects Fund, and \$2,731 in the Classroom Facilities Maintenance Special Revenue Fund (Nonmajor Governmental Funds). The amount available as an advance at June 30, 2015, was \$143,477 in the General Fund, \$18,261 in the Debt Service Fund, \$29,901 in the Permanent Improvement Capital Projects Fund, and \$2,922 in the Classroom Facilities Maintenance Special Revenue Fund (Nonmajor Governmental Funds).

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

	2015 Second - Half Collections		2016 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$73,342,750	96.84%	\$87,118,320	97.28%
Public Utility Personal	2,390,110	3.16%	2,437,430	2.72%
Total Assessed Value	<u>\$75,732,860</u>	<u>100.00%</u>	<u>\$89,555,750</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.09		\$38.03	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except delinquent property taxes and advances, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental receivables consist of the following:

<u>Governmental Activities:</u>	<u>Amounts</u>
Title I Grant	<u>\$34,094</u>

NOTE 9 - CAPITAL ASSETS

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

	Balance at 6/30/15	Additions	Deductions	Balance at 6/30/16
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$399,200	\$0	\$0	\$399,200
Construction in Progress	0	4,556,582	0	4,556,582
Total Capital Assets Not Being Depreciated	<u>399,200</u>	<u>4,556,582</u>	<u>0</u>	<u>4,955,782</u>
Capital Assets Being Depreciated:				
Land Improvements	710,540	0	0	710,540
Buildings and Improvements	18,421,352	0	0	18,421,352
Furniture, Fixtures and Equipment	1,869,765	109,760	(47,677)	1,931,848
Vehicles	796,457	24,934	0	821,391
Textbooks	970,875	0	0	970,875
Totals Capital Assets Being Depreciated	<u>\$22,768,989</u>	<u>\$134,694</u>	<u>(\$47,677)</u>	<u>\$22,856,006</u>

(continued)

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	Balance at 6/30/15	Additions	Deductions	Balance at 6/30/16
<u>Governmental Activities:</u>				
Less Accumulated Depreciation:				
Land Improvements	(\$554,215)	(\$25,395)	\$0	(\$579,610)
Buildings and Improvements	(6,721,727)	(470,742)	0	(7,192,469)
Furniture, Fixtures and Equipment	(1,474,441)	(105,328)	47,662	(1,532,107)
Vehicles	(494,788)	(52,492)	0	(547,280)
Textbooks	(970,875)	0	0	(970,875)
Total Accumulated Depreciation	<u>(10,216,046)</u>	<u>(653,957) *</u>	<u>47,662</u>	<u>(10,822,341)</u>
Total Capital Assets Being Depreciated, Net	<u>12,552,943</u>	<u>(519,263)</u>	<u>(15)</u>	<u>12,033,665</u>
Governmental Activities Capital Assets, Net	<u>\$12,952,143</u>	<u>\$4,037,319</u>	<u>(\$15)</u>	<u>\$16,989,447</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$241,146
Special	29,025
Vocational	23,531
Support Services:	
Pupils	14,102
Instructional Staff	82,267
Administration	52,268
Fiscal	14,658
Operation and Maintenance of Plant	57,301
Pupil Transportation	86,569
Central	2,110
Operation of Non-Instructional Services -	
Food Service Operations	41,232
Extracurricular Activities	9,748
Total Depreciation Expense	<u>\$653,957</u>

NOTE 10 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted with Phelan Insurance Agency for property insurance coverage.

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Workers' Compensation

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP. Each fiscal year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$171,439 for fiscal year 2016. Of this amount \$16,179 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$504,486 for fiscal year 2016. Of this amount \$79,904 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.03839700%	0.03008676%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.03750130%</u>	<u>0.03006111%</u>	
Change in Proportionate Share	<u>-0.00089570%</u>	<u>-0.00002565%</u>	
Proportionate Share of the Net Pension Liability	\$2,139,859	\$8,308,013	\$10,447,872
Pension Expense	\$123,054	\$374,980	\$498,034

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$34,456	\$378,740	\$413,196
School District contributions subsequent to the measurement date	<u>171,439</u>	<u>504,486</u>	<u>675,925</u>
Total Deferred Outflows of Resources	<u>\$205,895</u>	<u>\$883,226</u>	<u>\$1,089,121</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$70,901	\$597,503	\$668,404
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>39,381</u>	<u>11,245</u>	<u>50,626</u>
Total Deferred Inflows of Resources	<u>\$110,282</u>	<u>\$608,748</u>	<u>\$719,030</u>

\$675,925 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2017	(\$38,329)	(\$137,647)	(\$175,976)
2018	(38,329)	(137,647)	(175,976)
2019	(38,492)	(137,647)	(176,139)
2020	39,324	182,933	222,257
Total	(\$75,826)	(\$230,008)	(\$305,834)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

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

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

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,967,218	\$2,139,859	\$1,443,158

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

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$11,540,455	\$8,308,013	\$5,574,499

Social Security System

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

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percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$17,130.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$17,130, \$26,077, and \$20,163, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System of Ohio

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio

Fairfield Local School District
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law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$27,645, respectively. The full amount has been contributed for all three fiscal years.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

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

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

Insurance Benefits

For fiscal year 2016, medical/surgical and prescription drug insurance is offered to employees through Anthem Blue Cross and Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with the employee, depending on the terms of the contract.

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

Fairfield Local School District
Notes to the Basic Financial Statements
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Retirement Incentive

An employee, covered by the master contract, who retires between July 1, 2014, and June 30, 2017, will receive a retirement incentive bonus using the following formula:

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

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

The following restrictions apply to this incentive:

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

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

Two employee's accepted the retirement incentive bonus during fiscal year 2016 and were paid prior to June 30.

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NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Amount Outstanding 6/30/15	Additions	Deductions	Amount Outstanding 6/30/16	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2006 School Improvement					
Refunding Bonds:					
Term Bonds 4%	\$1,240,000	\$0	\$1,240,000	\$0	\$0
Capital Appreciation Bonds 11.27%	54,531	0	54,531	0	0
Accretion on Capital Appreciation Bonds	97,248	8,221	105,469	0	0
Premium on Debt Issuance	67,440	0	67,440	0	0
2015 School Improvement					
General Obligation Bonds:					
Serial Bonds 1.00% to 2.00%	395,000	0	45,000	350,000	115,000
Term Bonds 2.00% to 4.00%	4,085,000	0	0	4,085,000	0
Capital Appreciation Bonds	19,999	0	0	19,999	0
Accretion on Capital Appreciation Bonds	3,333	20,000	0	23,333	0
Premium on Debt Issuance	202,433	0	7,273	195,160	0
2015 School Improvement					
Refunding Bonds:					
Serial Bonds 3.42%	0	1,240,000	8,000	1,232,000	171,000
Premium on Debt Issuance	0	46,828	5,575	41,253	0
Total General Obligation Bonds	6,164,984	1,315,049	1,533,288	5,946,745	286,000
Net Pension Liability:					
STRS	7,318,141	989,872	0	8,308,013	0
SERS	1,943,250	196,609	0	2,139,859	0
Total Net Pension Liability	9,261,391	1,186,481	0	10,447,872	0
Compensated Absences	455,803	77,706	21,203	512,306	33,028
Total Governmental Activities					
Long-Term Liabilities	<u>\$15,882,178</u>	<u>\$2,579,236</u>	<u>\$1,554,491</u>	<u>\$16,906,923</u>	<u>\$319,028</u>

School Improvement Refunding Bonds 2006

On February 1, 2006, the School District issued \$2,179,999 in general obligation bonds for the purpose of advance refunding the 1999 School Improvement Bonds. Of these bonds, \$765,000 are serial bonds, \$1,240,000 are term bonds and \$174,999 are capital appreciation bonds. \$1,240,000 of the bonds were advance refunded with the 2015 issue.

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The capital appreciation bonds are not subject to prior redemption. They matured in fiscal years 2015 and 2016. The maturity amount of the capital appreciation bonds was \$155,000 in 2015 and \$160,000 in 2016. During fiscal year 2016, capital appreciation bonds matured in the amount of \$160,000. For fiscal year 2016, the capital appreciation bonds were accreted \$8,221.

School Improvement General Obligation Bonds 2015

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

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

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

The capital appreciation bonds are not subject to prior redemption. They will mature in fiscal year 2020. The maturity amount of the capital appreciation bonds will be \$120,000. For fiscal year 2016, the capital appreciation bonds were accreted \$20,000.

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School Improvement Refunding Bonds 2015

On September 2, 2015 the School District issued \$1,240,000 in Series 2015 refunding bonds in order to refund the 2006 Refunding Bonds in order to take advantage of lower interest rates. These bonds are paid from the Debt Service Fund and will mature on December 1, 2021. At June 30, 2016, \$1,232,000 of the refunded bonds were still outstanding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$42,748 and incurred an accounting gain of \$42,640 (difference between reacquisition price and net carrying amount of the old debt), which is shown in the following table:

Refunded Bonds Outstanding at 6/30/15	\$1,240,000
Premium on Refunded Bonds at 6/30/15	<u>67,440</u>
Total Refunded Bonds Outstanding at 6/30/15	1,307,440
Payment to Refunded Bond Escrow Agent - Other Financing Use	<u>(1,264,800)</u>
2016 Refunding Bonds Accounting Gain	<u><u>\$42,640</u></u>

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

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2017	\$286,000	\$197,135	\$0	\$0	\$0	\$0	\$483,135
2018	296,000	188,816	0	0	0	0	484,816
2019	309,000	180,189	0	0	0	0	489,189
2020	218,000	19,904	0	150,925	19,999	100,001	508,829
2021	232,000	12,209	120,000	150,925	0	0	515,134
2022-2026	241,000	4,121	640,000	710,075	0	0	1,595,196
2027-2031	0	0	760,000	594,425	0	0	1,354,425
2032-2036	0	0	925,000	429,425	0	0	1,354,425
2037-2041	0	0	1,130,000	229,413	0	0	1,359,413
2042-2045	0	0	510,000	28,875	0	0	538,875
Total	<u>\$1,582,000</u>	<u>\$602,374</u>	<u>\$4,085,000</u>	<u>\$2,294,063</u>	<u>\$19,999</u>	<u>\$100,001</u>	<u>\$8,683,437</u>

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund, Permanent Improvement Capital Projects Fund, and the Food Service, Title VI-B and Title I Special Revenue Funds. For additional information related to the net pension liability see note 11.

The School District's overall legal debt margin was \$1,609,223 with an unvoted debt margin of \$89,556 at June 30, 2016.

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 15 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2016, were as follows:

	Transfer To
Transfer From	Nonmajor Governmental Funds
General Fund	\$166,744

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

Interfund Balances

Interfund balances at June 30, 2016, consist of the following individual interfund receivables and payable:

	Receivable
Payable	Nonmajor Governmental Funds
General Fund	\$5,617

Advancing monies to other funds is necessary due to timing difference in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

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

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCACoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCACoG consists of two representatives from each county in the SCOCACoG service region designated by the Ohio

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCACoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCACoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCACoG, and once these remaining liabilities are satisfied, SCOCACoG will be dissolved and the member districts will become members of META. SCOCACoG entered into a subcontract agreement with META to provide services to SCOCACoG, and on behalf of SCOCACoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCACoG is currently governed by a four person executive governing board. The School District paid SCOCACoG \$139,419 for services provided during the fiscal year.

Great Oaks Institute of Technology and Career Development

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

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

NOTE 17 - SET-ASIDES

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2015	\$0
Current Fiscal Year Set-aside Requirement	165,702
Current Fiscal Year Offsets	(69,054)
Qualifying Disbursements	(96,648)
Totals	\$0
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$0
Set-aside Reserve Balance as of June 30, 2016	\$0

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

NOTE 18 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the affect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

School Foundation

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

Fairfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Litigation

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

NOTE 19 – SIGNIFICANT COMMITMENTS

Encumbrances

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

General Fund	\$183,467
Elementary Construction Fund	888,133
Other Governmental Funds	358,671
Total	<u><u>\$1,430,271</u></u>

Fairfield Local School District
Required Supplementary Information

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03750130%	0.0383970%	0.0383970%
School District's Proportionate Share of the Net Pension Liability	\$2,139,859	\$1,943,250	\$2,283,346
School District's Covered-Employee Payroll	\$1,134,400	\$1,105,099	\$1,071,305
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	188.63%	175.84%	213.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

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

(1) Information prior to 2014 is not available.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.03006111%	0.03008676%	0.0300868%
School District's Proportionate Share of the Net Pension Liability	\$8,308,013	\$7,318,141	\$8,717,322
School District's Covered-Employee Payroll	\$3,132,371	\$3,053,169	\$3,139,131
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	265.23%	239.69%	277.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

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

(1) Information prior to 2014 is not available.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$171,439	\$149,474	\$153,167	\$148,269
Contributions in Relation to the Contractually Required Contribution	<u>(171,439)</u>	<u>(149,474)</u>	<u>(153,167)</u>	<u>(148,269)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered-Employee Payroll	\$1,224,564	\$1,134,400	\$1,105,099	\$1,071,305
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$157,396	\$168,977	\$91,771	\$84,301	\$85,093	\$117,669
<u>(157,396)</u>	<u>(168,977)</u>	<u>(91,771)</u>	<u>(84,301)</u>	<u>(85,093)</u>	<u>(117,669)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$1,170,228	\$1,344,285	\$677,778	\$856,722	\$866,528	\$1,101,770
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$504,486	\$438,532	\$396,912	\$408,087
Contributions in Relation to the Contractually Required Contribution	<u>(504,486)</u>	<u>(438,532)</u>	<u>(396,912)</u>	<u>(408,087)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,603,471	\$3,132,371	\$3,053,169	\$3,139,131
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$406,405	\$406,592	\$386,702	\$387,274	\$379,964	\$416,329
<u>(406,405)</u>	<u>(406,592)</u>	<u>(386,702)</u>	<u>(387,274)</u>	<u>(379,964)</u>	<u>(416,329)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,126,192	\$3,127,631	\$2,974,631	\$2,979,031	\$2,922,800	\$3,202,531
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfield Local School District, Highland County, (the District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 3, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

May 3, 2018



Dave Yost • Auditor of State

FAIRFIELD LOCAL SCHOOL DISTRICT

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 15, 2018**