



Dave Yost · Auditor of State

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Fairland Local School District, Lawrence County, Ohio, as of June 30, 2014, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Fairland Local School District
Lawrence County
Independent Auditor's Report
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A handwritten signature in black ink that reads "Dave Yost". The signature is fluid and cursive, with "Dave" on top and "Yost" below it.

Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015

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**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

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

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Net position of governmental activities decreased \$2,041,693. This is mainly due to a decrease in cash and cash equivalents, a decrease in restricted cash and cash equivalents and the depreciation of capital assets.
- General revenues accounted for \$12,435,447 or 78% of all revenues. Program specific revenues in the form of Charges for Services and Sales, Operating Grants and Contributions and Capital Grants and Contributions accounted for \$3,566,144 or 22% of total revenues of \$16,001,591. The School District had \$18,043,284 in expenses related to governmental activities.
- The General Fund is the School District's only major fund. The General Fund had \$13,910,934 in revenues and \$14,033,835 in expenditures. The General Fund's balance decreased \$158,793.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies.

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

These two statements report the School District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be

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LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

Fiduciary Fund Fiduciary Fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's only fiduciary fund is an agency fund which is used to maintain financial activity of the School District's student managed activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB Statement No. 34, fiduciary funds are not included in the government-wide statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
Net Position

Governmental Activities			
	2014	2013	Variance
Assets			
Current and Other Assets	\$9,370,515	\$10,555,537	(\$1,185,022)
Capital Assets	<u>26,160,570</u>	<u>27,732,326</u>	(1,571,756)
Total Assets	<u>35,531,085</u>	<u>38,287,863</u>	(2,756,778)
Liabilities			
Long-term Liabilities	3,280,661	3,678,440	(397,779)
Other Liabilities	<u>2,169,926</u>	<u>2,561,435</u>	(391,509)
Total Liabilities	<u>5,450,587</u>	<u>6,239,875</u>	(789,288)
Deferred Inflows of Resources			
Property Taxes not Levied to Finance			
Current Year Operations	<u>3,000,809</u>	<u>2,926,606</u>	74,203
Net Position			
Net Investment in Capital Assets	23,534,570	25,247,857	(1,713,287)
Restricted	<u>1,243,576</u>	<u>1,410,483</u>	(166,907)
Unrestricted	<u>2,301,543</u>	<u>2,463,042</u>	(161,499)
Total Net Position	<u>\$27,079,689</u>	<u>\$29,121,382</u>	(\$2,041,693)

Total assets decreased \$2,756,778 mainly due to a decrease in cash and cash equivalents, a decrease in restricted cash and cash equivalents and a decrease in capital assets due to depreciation expense. These decreases were offset by an increase in intergovernmental receivable and an increase in property taxes receivable. Total liabilities decreased \$789,288 mainly due to decreases in contracts payable, special termination benefits payable and long-term liabilities.

Deferred inflows of resources increased \$74,203 due to an increase in property taxes not levied to finance current year operations.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014 compared to 2013. Revenue increased \$655,859, mostly due to increases in charges for services and sales, property taxes, grants and entitlements, insurance recoveries and miscellaneous. The increase in regular instruction

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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program expenses is the result of capital asset deletions related to the completion and capitalization of an Energy Conservation Project during fiscal year 2014 and the discontinuation of instructional staff expenditure codes for regular and special education aides which starting in fiscal year 2014 were charged to regular and special instruction.

Table 2
Changes in Net Position

	Governmental Activities		
	2014	2013	Variance
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,218,887	\$1,174,354	\$44,533
Operating Grants and Contributions	2,342,257	2,345,130	(2,873)
Capital Grants and Contributions	5,000	0	5,000
Total Program Revenues	<u>3,566,144</u>	<u>3,519,484</u>	<u>46,660</u>
General Revenues			
Property Taxes	3,746,700	3,423,216	323,484
Grants and Entitlements	8,332,179	8,304,945	27,234
Gifts and Donations	50	6,478	(6,428)
Investment Earnings	15,656	16,361	(705)
Proceeds from Sale of Capital Assets	0	0	0
Insurance Recoveries and Miscellaneous	340,862	75,248	265,614
Total General Revenues	<u>12,435,447</u>	<u>11,826,248</u>	<u>609,199</u>
Total Revenues	<u>16,001,591</u>	<u>15,345,732</u>	<u>655,859</u>

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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Table 2
Changes in Net Position
(continued)

	Governmental Activities		
	2014	2013	Variance
Program Expenses			
Instruction			
Regular	\$9,436,713	\$8,029,463	\$1,407,250
Special	1,908,752	2,104,537	(195,785)
Vocational	81,329	88,068	(6,739)
Student Intervention Services	8,044	10,192	(2,148)
Other	144,209	121,887	22,322
Support Services:			
Pupils	607,970	525,610	82,360
Instructional Staff	372,100	782,336	(410,236)
Board of Education	139,726	102,631	37,095
Administration	1,163,706	1,180,226	(16,520)
Fiscal	356,395	408,861	(52,466)
Business	46,871	45,314	1,557
Operation and Maintenance of Plant	1,856,664	2,470,574	(613,910)
Pupil Transportation	805,825	898,784	(92,959)
Central	13,331	9,363	3,968
Operation of Non-Instructional Services	639,838	606,224	33,614
Extracurricular Activities	392,890	327,794	65,096
Interest and Fiscal Charges	68,921	67,138	1,783
Total Expenses	<u>18,043,284</u>	<u>17,779,002</u>	<u>264,282</u>
Decrease in Net Position	(2,041,693)	(2,433,270)	391,577
Net Position at Beginning of Year	29,121,382	31,554,652	(2,433,270)
Net Position at End of Year	<u>\$ 27,079,689</u>	<u>\$ 29,121,382</u>	<u>\$ (2,041,693)</u>

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Table 3
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program Expenses				
Instruction:				
Regular	\$9,436,713	\$8,440,906	\$8,029,463	\$7,350,542
Special	1,908,752	561,479	2,104,537	722,099
Vocational	81,329	59,736	88,068	59,260
Student Intervention Services	8,044	7,556	10,192	4,517
Other	144,209	59,961	121,887	72,890
Support Services:				
Pupils	607,970	477,206	525,610	395,748
Instructional Staff	372,100	317,068	782,336	502,130
Board of Education	139,726	131,209	102,631	96,716
Administration	1,163,706	1,079,179	1,180,226	1,107,093
Fiscal	356,395	335,293	408,861	386,328
Business	46,871	44,027	45,314	42,817
Operation and Maintenance of Plant	1,856,664	1,745,658	2,470,574	2,315,178
Pupil Transportation	805,825	761,191	898,784	853,041
Central	13,331	12,529	9,363	8,885
Operation of Non-Instructional Services:				
Food Service Operations	639,838	111,476	606,224	50,356
Extracurricular Activities	392,890	263,745	327,794	224,780
Interest and Fiscal Charges	68,921	68,921	67,138	67,138
Total	\$18,043,284	\$14,477,140	\$17,779,002	\$14,259,518

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 80% of program expenses activities are supported through taxes and other general revenues.

The School District Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,986,218, expenditures of \$16,867,012 and total other financing sources (uses) of \$11,630 which resulted in a decrease in fund balances of \$869,164.

The fund balance of the General Fund decreased \$158,793. This is an improvement compared to fiscal year 2013 when the fund balance of the General fund decreased \$1,466,144. This improvement was mainly due to increases in property taxes and miscellaneous revenue as well as decreases in expenditures for operation and maintenance of plant and instructional staff. The General Fund's unassigned fund balance of \$1,067,616 represented 7.6 percent of current year expenditures.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2014 the School District amended its General Fund budget as needed to reflect unexpected revenues and expenditures. For the General Fund, budget basis revenue was \$289,415 more than original estimates of \$13,499,999 and \$39,415 more than final estimates of \$13,749,999 mainly due to greater than expected miscellaneous revenue. Budget basis expenditures were \$225,698 less than original estimates of \$14,313,222 and \$725,698 less than final budget estimates of \$14,813,222.

The School District's ending unobligated General Fund balance was \$3,601,767.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$26,160,570 invested in land and land improvements, construction in progress, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

Table 4
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>	
	2014	2013
Land and Land Improvements	\$445,337	\$198,591
Construction in Progress	0	765,209
Buildings and Improvements	23,473,487	25,445,384
Furniture and Equipment	2,022,316	1,035,710
Vehicles	219,430	287,432
Totals	\$26,160,570	\$27,732,326

The Construction in Progress in fiscal year 2013 related to the acquisition and installation of energy conservation improvements in each of the School District's school buildings and costs related to the stadium track and bleacher projects which were completed in fiscal year 2014. See note 8 for more information on capital assets.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

Debt

At June 30, 2014, the School District had the following debt outstanding:

**Table 5
Outstanding Debt, at Fiscal Year End**

	Governmental Activities	
	2014	2013
General Obligation Ohio School Facilities Commission Bonds	\$200,000	\$390,000
General Obligation Tax Refunding Bonds	1,670,000	1,685,000
Certificates of Participation	756,000	945,000
Totals	\$2,626,000	\$3,020,000

See Note 13 for information on Debt.

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

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

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

Economic Factors

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Loretta Wirzfeld, Fairland Local School District Treasurer, 228 Private Drive 10010, Proctorville, Ohio 45669.

Fairland Local School District

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalent	\$5,490,132
Materials and Supplies Inventory	50,923
Accrued Interest Receivable	1,260
Intergovernmental Receivable	299,344
Property Taxes Receivable	3,528,856
Nondepreciable Capital Assets	445,337
Depreciable Capital Assets, Net	<u>25,715,233</u>
<i>Total Assets</i>	35,531,085
Liabilities	
Accounts Payable	266,710
Accrued Wages and Benefits Payable	1,463,478
Intergovernmental Payable	357,400
Accrued Interest Payable	4,994
Accrued Vacation Benefits Payable	60,502
Special Termination Benefits Payable	16,842
Long-Term Liabilities:	
Due Within One Year	430,296
Due in More Than One Year	<u>2,850,365</u>
<i>Total Liabilities</i>	5,450,587
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	3,000,809
Net Position	
Net Investment in Capital Assets	23,534,570
Restricted For:	
Debt Service	409,294
Capital Outlay	48,065
Other Purposes	742,757
Set Asides	43,460
Unrestricted	<u>2,301,543</u>
<i>Total Net Position</i>	<u>\$27,079,689</u>

See the accompanying notes to the basic financial statements

Fairland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities						
Instruction:						
Regular	\$9,436,713	\$464,379	\$527,240	\$4,188	(\$8,440,906)	
Special	1,908,752	95,541	1,251,683	49	(561,479)	
Vocational	81,329	4,837	16,707	49	(59,736)	
Student Intervention Services	8,044	488	0	0	(7,556)	
Other	144,209	3,195	81,053	0	(59,961)	
Support Services:						
Pupils	607,970	30,545	100,219	0	(477,206)	
Instructional Staff	372,100	43,546	11,486	0	(317,068)	
Board of Education	139,726	8,494	7	16	(131,209)	
Administration	1,163,706	82,377	2,150	0	(1,079,179)	
Fiscal	356,395	21,102	0	0	(335,293)	
Business	46,871	2,844	0	0	(44,027)	
Operation and Maintenance of Plant	1,856,664	109,473	835	698	(1,745,658)	
Pupil Transportation	805,825	44,634	0	0	(761,191)	
Central	13,331	802	0	0	(12,529)	
Operation of Non-Instructional Services	639,838	179,464	348,898	0	(111,476)	
Extracurricular Activities	392,890	127,166	1,979	0	(263,745)	
Interest and Fiscal Charges	68,921	0	0	0	(68,921)	
Totals	\$18,043,284	\$1,218,887	\$2,342,257	\$5,000	(14,477,140)	

General Revenues

Property Taxes Levied for:	
General Purposes	3,495,283
Debt Service	192,229
Classroom Facilities Maintenance	59,188
Grants and Entitlements not Restricted to Specific Programs	8,332,179
Gifts and Donations not Restricted to Specific Programs	50
Investment Earnings	15,656
Insurance Recoveries	11,630
Miscellaneous	329,232
Total General Revenues	12,435,447
Change in Net Position	(2,041,693)
Net Position Beginning of Year	29,121,382
Net Position End of Year	\$27,079,689

See the accompanying notes to the basic financial statements.

Fairland Local School District

*Balance Sheet
Governmental Funds
June 30, 2014*

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,287,258	\$1,159,414	\$5,446,672
Materials and Supplies Inventory	30,293	20,630	50,923
Receivables:			
Accrued Interest	1,260	0	1,260
Interfund	12,229	0	12,229
Intergovernmental	76,034	223,310	299,344
Property Taxes	3,292,204	236,652	3,528,856
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	43,460	0	43,460
<i>Total Assets</i>	<u>\$7,742,738</u>	<u>\$1,640,006</u>	<u>\$9,382,744</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts Payable	\$186,644	\$80,066	\$266,710
Accrued Wages and Benefits Payable	1,303,346	160,132	1,463,478
Interfund Payable	0	12,229	12,229
Intergovernmental Payable	337,984	19,416	357,400
Special Termination Benefits Payable	16,842	0	16,842
<i>Total Liabilities</i>	<u>1,844,816</u>	<u>271,843</u>	<u>2,116,659</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	2,799,376	201,433	3,000,809
Unavailable Revenue:			
Property Taxes	243,471	17,428	260,899
Grants	69,901	29,577	99,478
Interest	1,260	0	1,260
<i>Total Deferred Inflows of Resources</i>	<u>3,114,008</u>	<u>248,438</u>	<u>3,362,446</u>
Fund Balances			
Nonspendable:			
Materials and Supplies Inventory	30,293	20,630	50,923
Unclaimed Monies	5,546	0	5,546
Restricted for:			
Capital Projects and Maintenance	0	687,789	687,789
Other Purposes	0	14,343	14,343
Debt Service	0	395,903	395,903
Extracurricular Activities	0	62,489	62,489
Committed to:			
Insurance Contingency	181,097	0	181,097
Severance Benefits	239,041	0	239,041
Other Purposes	110,509	0	110,509
Assigned to:			
Other Purposes	60,934	0	60,934
Student and Staff Support	88,878	0	88,878
FY14 Appropriations in Excess of Estimated Receipts	1,000,000	0	1,000,000
Unassigned (Deficit)	1,067,616	(61,429)	1,006,187
<i>Total Fund Balances</i>	<u>2,783,914</u>	<u>1,119,725</u>	<u>3,903,639</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$7,742,738</u>	<u>\$1,640,006</u>	<u>\$9,382,744</u>

See the accompanying notes to the basic financial statements.

Fairland Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities*
 June 30, 2014

Total Governmental Fund Balances	\$3,903,639
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***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.	26,160,570
---	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
--	--

Property Taxes Intergovernmental Interest	260,899 99,478 <u>1,260</u> <u> </u> 361,637
---	---

Vacation benefits payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.	(60,502)
---	----------

Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.	(4,994)
---	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
--	--

Ohio School Facilities Commission Bonds Payable Refunding Bonds Certificates of Participation Sick Leave Benefits Payable	(200,000) (1,670,000) (756,000) <u>(654,661)</u> <u> </u> (3,280,661)
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Net Position of Governmental Activities	<u><u>\$27,079,689</u></u>
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See the accompanying notes to the basic financial statements.

Fairland Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$3,527,548	\$253,838	\$3,781,386
Intergovernmental	9,121,514	1,502,916	10,624,430
Investment Earnings	14,604	0	14,604
Tuition and Fees	823,684	0	823,684
Charges for Services	28,709	176,193	204,902
Extracurricular Activities	82,082	108,219	190,301
Gifts and Donations	11,779	5,900	17,679
Miscellaneous	301,014	28,218	329,232
<i>Total Revenues</i>	<i>13,910,934</i>	<i>2,075,284</i>	<i>15,986,218</i>
Expenditures			
Current:			
Instruction:			
Regular	6,629,363	687,770	7,317,133
Special	1,638,327	333,802	1,972,129
Vocational	78,941	1,619	80,560
Student Intervention Services	8,044	0	8,044
Other	52,646	91,563	144,209
Support Services:			
Pupils	501,068	104,627	605,695
Instructional Staff	362,172	8,211	370,383
Board of Education	139,214	512	139,726
Administration	1,145,863	358	1,146,221
Fiscal	345,896	8,658	354,554
Business	46,871	0	46,871
Operation and Maintenance of Plant	1,690,027	116,109	1,806,136
Pupil Transportation	733,540	0	733,540
Central	13,216	0	13,216
Operation of Non-Instructional Services	57,320	573,030	630,350
Extracurricular Activities	225,547	118,605	344,152
Capital Outlay	159,245	529,547	688,792
Debt Service:			
Principal Retirement	189,000	205,000	394,000
Interest and Fiscal Charges	17,535	53,766	71,301
<i>Total Expenditures</i>	<i>14,033,835</i>	<i>2,833,177</i>	<i>16,867,012</i>
<i>Excess of Revenues Under Expenditures</i>	<i>(122,901)</i>	<i>(757,893)</i>	<i>(880,794)</i>
Other Financing Sources (Uses)			
Insurance Recoveries	5,679	5,951	11,630
Transfers In	0	41,571	41,571
Transfers Out	(41,571)	0	(41,571)
<i>Total Other Financing Sources (Uses)</i>	<i>(35,892)</i>	<i>47,522</i>	<i>11,630</i>
<i>Net Change in Fund Balances</i>	<i>(158,793)</i>	<i>(710,371)</i>	<i>(869,164)</i>
<i>Beginning Fund Balances, July 1</i>	<i>2,942,707</i>	<i>1,830,096</i>	<i>4,772,803</i>
<i>Ending Fund Balances, June 30</i>	<i>\$2,783,914</i>	<i>\$1,119,725</i>	<i>\$3,903,639</i>

See the accompanying notes to the basic financial statements.

Fairland Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$869,164)

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

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

Capital Asset Additions	688,792
Depreciation Expense	<u>(1,491,411)</u>
	(802,619)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(769,137)

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

Accrued Interest Payable	2,380
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Taxes	(34,686)
Interest	1,052
Intergovernmental	<u>37,377</u>
	3,743

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

394,000

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

Vacation Benefits Payable	(4,675)
Sick Leave Benefits Payable	(13,063)
Special Termination Benefits Payable	<u>16,842</u>
	(896)

Change in Net Position of Governmental Activities (\$2,041,693)

See the accompanying notes to the basic financial statements.

Fairland Local School District
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$3,429,892	\$3,429,892	\$3,498,658	\$68,766
Intergovernmental	9,291,741	9,291,741	9,171,268	(120,473)
Interest	15,382	15,382	14,586	(796)
Tuition and Fees	720,459	720,459	777,000	56,541
Charges for Services	0	0	28,709	28,709
Gifts and Donations	6,478	6,478	50	(6,428)
Miscellaneous	36,047	286,047	299,143	13,096
<i>Total Revenues</i>	13,499,999	13,749,999	13,789,414	39,415
Expenditures				
Current:				
Instruction:				
Regular	6,889,667	7,289,667	6,431,591	858,076
Special	1,660,941	1,660,941	1,703,410	(42,469)
Vocational	81,636	81,636	79,366	2,270
Student Intervention Services	4,065	4,065	8,044	(3,979)
Other	73,115	73,115	66,454	6,661
Support Services:				
Pupils	377,506	377,506	500,098	(122,592)
Instructional Staff	334,622	334,622	397,893	(63,271)
Board of Education	78,274	78,274	132,779	(54,505)
Administration	1,111,294	1,111,294	1,156,896	(45,602)
Fiscal	384,231	384,231	351,585	32,646
Business	144,093	144,093	99,588	44,505
Operation and Maintenance of Plant	2,134,923	2,234,923	1,818,539	416,384
Pupil Transportation	802,696	802,696	764,022	38,674
Central	9,034	9,034	13,216	(4,182)
Operation of Non-Instructional Services	22,321	22,321	47,240	(24,919)
Extracurricular Activities	198,804	198,804	207,582	(8,778)
Capital Outlay	0	0	102,686	(102,686)
Debt Service				
Principal	6,000	6,000	189,000	(183,000)
Interest and Fiscal Charges	0	0	17,535	(17,535)
<i>Total Expenditures</i>	14,313,222	14,813,222	14,087,524	725,698
<i>Excess of Revenues Under Expenditures</i>	(813,223)	(1,063,223)	(298,110)	765,113
Other Financing Sources (Uses)				
Insurance Recoveries	0	0	5,679	5,679
Transfers In	1	1	0	(1)
Transfers Out	(338,999)	(338,999)	(286,090)	52,909
Advances Out	(141,750)	(141,750)	0	141,750
<i>Total Other Financing Sources (Uses)</i>	(480,748)	(480,748)	(280,411)	200,337
<i>Net Change in Fund Balances</i>	(1,293,971)	(1,543,971)	(578,521)	965,450
<i>Beginning Fund Balances, July 1</i>	3,886,316	3,886,316	3,886,316	0
<i>Prior Year Encumbrances Appropriated</i>	293,972	293,972	293,972	0
<i>Ending Fund Balances, June 30</i>	\$2,886,317	\$2,636,317	\$3,601,767	\$965,450

See the accompanying notes to the basic financial statements.

Fairland Local School District
Statement of Fiduciary Position Assets
Fiduciary Fund
June 30, 2014

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$62,826</u></u>
Liabilities	
Due to Students	<u><u>\$62,826</u></u>

See the accompanying notes to the basic financial statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

1. Description of the School District and Reporting Entity

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

The School District operates under a locally-elected, five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 60 classified employees, 102 certificated full time teaching personnel and 10 administrators who provide services to 1,767 students.

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

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

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

2. Summary of Significant Accounting Policies

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements ordinarily distinguish between activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

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

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and on the governmental fund balance sheet. Grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2014 are recorded as deferred inflows of resources – unavailable revenue in the governmental funds and as revenue on the statement of activities.

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

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

E. Cash and Cash Equivalents

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

During fiscal year 2014, investments were limited to overnight repurchase agreements and certificates of deposit. These nonparticipating investment contracts and certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$14,604 which includes \$4,819 assigned from other School District funds.

The School District has a set-aside cash balance for carryover to fiscal year 2015 for budget stabilization. This money is presented as "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" on the Balance Sheet.

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

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

F. Inventory

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

G. Restricted Assets

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. A liability is recorded for vacation eligible employees after one year of service with the School District. The liability for vacation benefits is recorded as "accrued vacation benefits payable".

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

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

J. Accrued Liabilities and Long-term Obligations

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

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

K. Interfund Activity

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

L. Interfund Balances

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

M. Fund Balance

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

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

It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School

District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

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

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

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

N. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditure for specified purposes. The government wide statement of net position reports \$1,243,576 of restricted net position, none of which has resulted from enabling legislation.

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

P. Estimates

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

Q. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

3. Accountability

The following funds had deficit fund balances at June 30, 2014:

	<u>Fund Balances</u>
Special Revenue Funds:	
Food Service	\$ 27,840
Improving Teacher Quality State Grants	12,959

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

4. Budgetary Basis of Accounting

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

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

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$158,793)
Revenue Accruals	20,846
Expenditure Accruals	(247,427)
Encumbrances	(216,399)
(Excess) Deficit of Funds Combined with General Fund for Reporting Purposes	<u>23,252</u>
Budget Basis	<u><u>(\$578,521)</u></u>

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

5. Deposits and Investments

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

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

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

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

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

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

5. Deposits and Investments (Continued)

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

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,812,190 of the School District's bank balances of \$3,062,190 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

Investments: The School District's investments are reported at fair value. As of June 30, 2014, the School District had the following investment:

	Fair Value	Maturity
Repurchase Agreements	\$2,603,509	1 day

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

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

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2014:

Investment Type	Fair Value	% of Total
Repurchase Agreements	\$2,603,509	100%

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

6. Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Fairland Local School District. The School District receives property taxes from Lawrence County and Gallia County. The county auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes not levied to finance current year operations.

At June 30, 2014, \$267,148 is recognized as revenue: \$249,357 in the General Fund, \$13,715 in the Bond Retirement Fund and \$4,076 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2013 was \$220,467 in the General Fund, \$12,138 in the Bond Retirement Fund and \$3,662 in the Classroom Facilities Special Revenue Fund.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

6. Property Taxes (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$181,668,120	96%	\$187,333,510	96%
Public Utility Personal	7,143,970	4%	7,489,100	4%
Tangible Personal Property	0	0%	0	0%
Total	<u>\$188,812,090</u>	<u>100%</u>	<u>\$194,822,610</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation		\$21.60		\$21.60

7. Receivables

Receivables at June 30, 2014 consisted of accrued interest, interfund, property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund	\$76,034
Special Revenue Funds:	
Race To The Top	68,412
Special Education - Grants to States	67,906
Title I Grants to Local Educational Agencies	83,711
Improving Teacher Quality State Grants	3,281
Total Special Revenue Funds	<u>223,310</u>
Total Intergovernmental Receivables	<u>\$299,344</u>

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

8. Capital Assets

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

	Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	\$198,591	\$246,746	\$0	\$445,337
Construction in Progress	765,209	-	(765,209)	0
Total Capital Assets not being Depreciated	<u>963,800</u>	<u>246,746</u>	<u>(765,209)</u>	<u>445,337</u>
Depreciable Capital Assets:				
Buildings and Improvements	43,026,212	40,817	(746,331)	42,320,698
Furniture and Equipment	2,565,897	1,166,438	(15,738)	3,716,597
Vehicles	1,400,514	0	0	1,400,514
Total Capital Assets being Depreciated	<u>46,992,623</u>	<u>1,207,255</u>	<u>(762,069)</u>	<u>47,437,809</u>
Less Accumulated Depreciation				
Buildings and Improvements	(17,580,828)	(1,258,238)	(8,145)	(18,847,211)
Furniture and Equipment	(1,530,187)	(165,171)	1,077	(1,694,281)
Vehicles	(1,113,082)	(68,002)	0	(1,181,084)
Total Accumulated Depreciation	<u>(20,224,097)</u>	<u>(1,491,411)</u>	<u>(7,068)</u>	<u>(21,722,576)</u>
Total Capital Assets being Depreciated, Net	<u>26,768,526</u>	<u>(284,156)</u>	<u>(769,137)</u>	<u>25,715,233</u>
Capital Assets, Net	<u>\$27,732,326</u>	<u>(\$37,410)</u>	<u>(\$1,534,346)</u>	<u>\$26,160,570</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,304,214
Support Services:	
Instructional Staff	6,695
Operation of Plant	52,357
Pupil Transportation	70,317
Central	115
Food Service Operations	18,865
Extracurricular Activities	38,848
Total Depreciation Expense	<u>\$1,491,411</u>

The School District's capital assets report above includes \$4,627,213 in fully depreciated assets that are still being utilized by the School District.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

9. Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2014, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool for property, fleet, and liability insurance. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 16).

The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$56,052,818
Automobile Liability:	
Liability	2,000,000
Medical Payments	5,000
Uninsured Motorists	1,000,000

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

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

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

9. Risk Management_(Continued)

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Note 16) to provide employee medical benefits. Rates are set through an annual calculation process. The School District pays monthly premiums to the fiscal agent, which is placed into a Council Fund from which claim payments are made for all participating school districts. The School District pays 85% of the premium for certified employees and classified employees who are not members of the non-teaching bargaining unit. The School District pays 83% of the premium for classified employees who are members of the non-teaching bargaining unit.

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

10. Employee Benefits

A. Compensated Absences

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

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

Classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 295 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 57 days.

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

10. Employee Benefits (Continued)

B. Life Insurance and Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through The Guardian Life Insurance Company of America. The coverage amount is \$40,000 for certified employees and \$30,000 for classified employees.

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

Health insurance is provided by the Lawrence County Schools Council of Governments Health Benefits Program (see Note 16). Premiums for this coverage are \$1,605 for family coverage and \$650 for single coverage. The School District pays 85% of the premium for certified employees and classified employees who are not members of the non-teaching bargaining unit. The School District pays 83% of the premium for classified employees who are members of the non-teaching bargaining unit.

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

C. Retirement Incentive

The School District offered a one-time voluntary retirement incentive. The incentive was offered to teachers and administrators who were eligible and did retire through the State Teachers Retirement System on or before July 31, 2011 and to those with 29 years of experience as of June 30, 2011 who were eligible and who did retire through the State Teachers Retirement System by June 30, 2012. The benefit for those who retired under this incentive was \$40,000 plus their regular severance paid in equal monthly installments over five years. Nine teachers and the School District Superintendent took advantage of the incentive and retired on or before July 31, 2011. One teacher with 29 years of experience elected to take advantage of the incentive and retired before June 30, 2012. At June 30, 2014, \$16,842 is recognized as a Special Termination Benefits Payable in the General Fund.

11. Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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

11. Defined Benefit Pension Plans (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$239,486, \$243,021, and \$237,708 respectively; 77.46 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

11. Defined Benefit Pension Plans (Continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$877,382, \$915,179 and \$833,254 respectively; 83.39 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$30,507 made by the School District and \$23,969 made by the plan members.

C. 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 / State Teachers Retirement System. The contribution rate is 6.2 percent of wages. As of June 30, 2014, there are no Board members who have elected Social Security.

12. Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing, multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or on SERS' website at www.ohsers.org under Employers/Audit Resources.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

12. Postemployment Benefits (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, the minimum compensation level was established at \$20,250. For fiscal year 2014, the School District amount for surcharge was \$32,458.

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.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$34,935, \$32,844 and \$41,643 respectively; 5.44% has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$13,976, \$13,594 and \$13,793 respectively; 77.59% has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to Post Employment Health Care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$67,491, \$70,398 and \$64,096 respectively; 83.39 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

13. Long Term Obligations

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

	Principal Outstanding 6/30/13	Additions	Reductions	Principal Outstanding 06/30/14	Amounts Due in One Year
Governmental Activities					
OSFC Bonds, 1999 5.02%	\$390,000	\$0	\$190,000	\$200,000	\$200,000
General Oblig. Tax Refunding Bonds 2012 2.15%	1,685,000	0	15,000	1,670,000	15,000
Certificates of Participation, 2013 2.00%	945,000	0	189,000	756,000	189,000
Sick Leave Benefits	641,598	82,180	69,117	654,661	26,296
Special Termination Benefits Payable	16,842	0	16,842	0	0
Total Governmental Activities	<u>\$3,678,440</u>	<u>\$82,180</u>	<u>\$479,959</u>	<u>\$3,280,661</u>	<u>\$430,296</u>
Long-Term Liabilities	<u><u>\$3,678,440</u></u>	<u><u>\$82,180</u></u>	<u><u>\$479,959</u></u>	<u><u>\$3,280,661</u></u>	<u><u>\$430,296</u></u>

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

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

13. Long Term Obligations (Continued)

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

Sick leave benefits will be paid from the General Fund.

Annual requirement to school improvement general obligation bonds are as follows:

Fiscal Year

Ending June 30,	Principal	Interest	Total
2015	200,000	6,000	206,000

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

Fiscal Year

Ending June 30,	Principal	Interest	Total
2015	15,000	35,744	50,744
2016	225,000	33,164	258,164
2017	230,000	28,272	258,272
2018	230,000	23,328	253,328
2019	235,000	18,329	253,329
2020-2022	735,000	23,918	758,918
Total	\$1,670,000	\$162,755	\$1,832,755

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

13. Long Term Obligations (Continued)

Fiscal Year			
Ending June 30,	Principal	Interest	Total
2015	189,000	15,120	204,120
2016	189,000	11,340	200,340
2017	189,000	7,560	196,560
2018	189,000	3,780	192,780
Total	\$756,000	\$37,800	\$793,800

The overall debt margin of the School District as of June 30, 2014 was \$16,058,938 with an unvoted debt margin of \$194,823.

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

14. Interfund Activity and Balances

During fiscal year 2014, the General Fund made a transfer to the Food Service Fund in the amount of \$41,571 and a transfer to the Uniform School Supplies Fund in the amount of \$5,520 to cover deficit balances in those funds. Two transfers totaling \$238,999 were made from the General Fund to the Severance Fund during 2014. In accordance with Governmental Accounting Standards Board Statement No. 54, the School District combined the Uniform School Supplies Fund and the Severance Fund with the General Fund for financial reporting purposes. As such, these transfers have been eliminated from the statement of revenues, expenditures and changes in fund balances. The General Fund reports interfund receivables in the amount of \$12,229 as a result of negative budgetary basis balances in Other Governmental Funds which have reported interfund payables in the amount of \$12,229.

15. Jointly Governed Organizations

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

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCARCoG is an association of public School Districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SCOCARCoG \$111,729 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

15. Jointly Governed Organizations (Continued)

B. Lawrence County Academy

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

16. Public Entity Risk Pools

A. Insurance Purchasing Pools

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

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

16. Public Entity Risk Pools (Continued)

B. Shared Risk Pool

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

17. Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

The School District is currently not a party to any legal proceedings.

18. Set-Aside Calculations and Fund Balance Restrictions

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish set-aside balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget stabilization set-aside. During fiscal year 2004, the Board of Education approved maintaining the budget stabilization funds in the budget stabilization set-aside pursuant to State Statute and at June 30, 2014, this continues to be set aside.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

18. Set-Aside Calculations and Fund Balance Restrictions (Continued)

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

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

	<u>Budget Stabilization</u>	<u>Capital Acquisition</u>
Set-Aside Reserve Balance		
as of June 30, 2013	\$43,460	\$0
Current Year Set-Aside Requirement	0	293,789
Current Year Offsets	0	(251,847)
Qualifying Disbursements	0	(94,325)
	<u>\$43,460</u>	<u>(\$52,383)</u>
Totals	<u>\$43,460</u>	<u>(\$52,383)</u>
Set-Aside Balance Carried Forward		
to Future Fiscal Years	<u>\$43,460</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2014	<u>\$43,460</u>	<u>\$0</u>

19. Significant Commitments

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

Fund	Amount
General	\$216,399
Nonmajor Governmental Funds	108,176
Total	<u>\$324,575</u>

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**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	2013/2014	10.553	\$ 80,576	\$ 80,576
National School Lunch Program	2013/2014	10.555	320,181	320,181
Total Child Nutrition Cluster			<u>400,757</u>	<u>400,757</u>
Total U.S. Department of Agriculture			400,757	400,757
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	61,267	60,814
	2014		341,501	341,369
Total Title I Grants to Local Educational Agencies			<u>402,768</u>	<u>402,183</u>
Special Education - Grants to States (IDEA, Part B)	2014	84.027	275,756	275,780
Improving Teacher Quality State Grants	2014	84.367	81,593	81,592
ARRA - Race to the Top	2013	84.395	700	700
	2014		41,974	52,654
Total ARRA - Race to the Top			<u>42,674</u>	<u>53,354</u>
Total U.S. Department of Education			<u>802,791</u>	<u>812,909</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,203,548</u>	<u>\$ 1,213,666</u>

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – BUREAU OF WORKERS’ COMPENSATION REBATE

The School District received a Bureau of Workers’ Compensation Rebate payment in the amount of \$33,530. This rebate was allocated back to the various funds that originally paid the expense. Based on the allocation done by the School District Treasurer, the following federal funds received this portion of the rebate:

<u>Fund</u>	<u>Amount</u>
Title I Grants to Local Educational Agencies	\$530
Special Education – Grants to States	401
Improving Teacher Quality State Grants	129

These revenues are included in the totals reported as receipts on the Schedule.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Fairland Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 24, 2015.

Internal Control Over Financial Reporting

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

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

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

Fairland Local School District
Lawrence County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

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

Purpose of the Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Fairland Local School District's, Lawrence County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Fairland Local School District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Fairland Local School District
Lawrence County
Independent Auditor's Report on Compliance with Requirements Applicable
To the Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133
Page 2

Opinion on the Major Federal Program

In our opinion, the Fairland Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA #10.553 and #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

FAIRLAND LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MARCH 10, 2015