



Dave Yost • Auditor of State

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanchester Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Blanchester Local School District, Clinton County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and *Required budgetary comparison schedule* 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 District's basic financial statements taken as a whole.

The Schedule of Federal Award 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 also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2014

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The discussion and analysis of Blanchester Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- Net position of governmental activities increased \$71,262 which represents a less than 1% increase from 2012.
- General revenues accounted for \$11,690,891 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,452,840 or 28% of total revenues of \$16,143,731 .
- The District had \$16,072,469 in expenses related to governmental activities; \$4,452,840 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,690,891 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide 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 District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and the Permanent Improvement Fund are the major funds of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Government-wide Financial Statements 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.

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

These two statements report the District's *net position* and changes in position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

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

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the 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 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 District's general government 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 Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

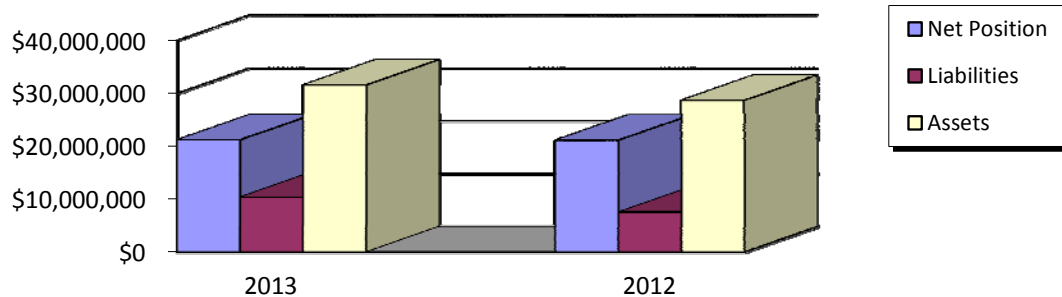
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2013 compared to 2012:

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets:		
Current and Other Assets	\$10,420,081	\$8,376,545
Capital Assets	21,168,724	20,301,730
Total Assets	31,588,805	28,678,275
Liabilities:		
Other Liabilities	5,239,047	4,387,002
Long-Term Liabilities	5,157,788	3,170,565
Total Liabilities	10,396,835	7,557,567
Net Position:		
Net Investment in Capital Assets	16,552,501	17,658,663
Restricted	1,328,770	1,117,269
Unrestricted	3,310,699	2,344,776
Total Net Position	\$21,191,970	\$21,120,708



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities by \$21,191,970.

At year-end, capital assets represented 67% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2013, was \$16,552,501. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

A portion of the District's net position, \$1,328,770 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets increased mainly due to current year additions exceeding current year depreciation expense. Long-term liabilities increased due primarily to the District issuing new debt in the current year.

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues:		
Program Revenues		
Charges for Services	\$1,950,737	\$1,910,582
Operating Grants, Contributions	2,502,103	2,831,443
General Revenues:		
Property Taxes	3,045,335	3,058,754
Grants and Entitlements	8,466,715	8,421,655
Other	178,841	152,337
Total Revenues	<u>16,143,731</u>	<u>16,374,771</u>
Program Expenses:		
Instruction	8,438,540	8,393,094
Support Services:		
Pupil and Instructional Staff	1,757,589	1,940,957
School Administrative, General		
Administration, Fiscal and Business	1,964,331	1,964,326
Operations and Maintenance	1,316,605	1,312,730
Pupil Transportation	967,387	933,410
Central	12,371	11,521
Operation of Non-Instructional Services	1,241,534	927,486
Extracurricular Activities	165,568	424,999
Interest and Fiscal Charges	208,544	172,711
Total Program Expenses	<u>16,072,469</u>	<u>16,081,234</u>
Change in Net Position	71,262	293,537
Net Position - Beginning of Year	<u>21,120,708</u>	<u>20,827,171</u>
Net Position - End of Year	<u>\$21,191,970</u>	<u>\$21,120,708</u>

The District revenues are mainly from three sources. Property taxes levied for general, debt service, special revenue and capital projects purposes, charges for services and sales, and operating grants and contributions comprised 46% of the District's revenues for governmental activities.

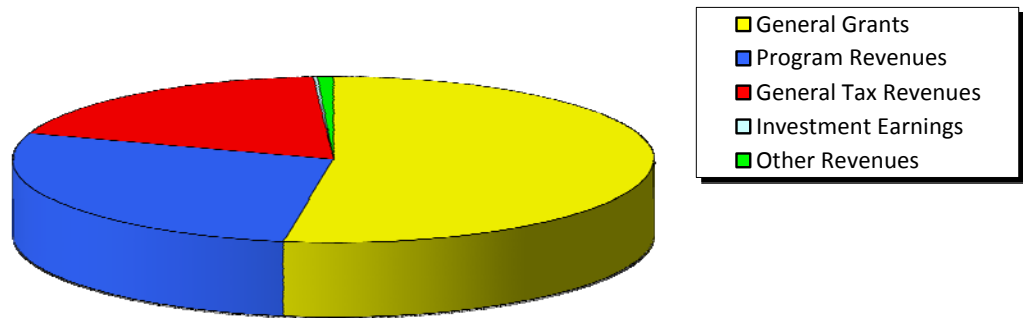
Blanchester Local School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 19% of revenue for governmental activities for the District in fiscal year 2013.

Governmental Activities
Revenue Sources

Revenue Sources	2013	Percent of Total
General Grants	\$8,466,715	52.5%
Program Revenues	4,452,840	27.6%
General Tax Revenues	3,045,335	18.9%
Investment Earnings	32,016	0.2%
Other Revenues	146,825	0.8%
Investment Earnings	<u>\$16,143,731</u>	<u>100.0%</u>



Instruction comprises 52.5% of governmental program expenses. Support services expenses were 37.4% of governmental program expenses. All other expenses and interest expense was 10.1%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants decreased in fiscal year 2013 as compared to fiscal year 2012, which was mainly due to a decrease in grants monies received. Total expenses decreased in fiscal year 2013 as compared to 2012 due to the District’s efforts to cut costs.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$8,438,540	\$8,393,094	(\$5,514,647)	(\$5,157,715)
Support Services:				
Pupil and Instructional Staff	1,757,589	1,940,957	(1,369,126)	(1,527,311)
School Administrative, General				
Administration, Fiscal and Business	1,964,331	1,964,326	(1,932,390)	(1,931,136)
Operations and Maintenance	1,316,605	1,312,730	(1,258,155)	(1,327,017)
Pupil Transportation	967,387	933,410	(931,591)	(892,911)
Central	12,371	11,521	(12,371)	(11,521)
Operation of Non-Instructional Services	1,241,534	927,486	(359,649)	(1,332)
Extracurricular Activities	165,568	424,999	(33,156)	(317,555)
Interest and Fiscal Charges	208,544	172,711	(208,544)	(172,711)
Total Expenses	<u>\$16,072,469</u>	<u>\$16,081,234</u>	<u>(\$11,619,629)</u>	<u>(\$11,339,209)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Permanent Improvement Fund. Assets of the general fund comprised \$8,170,781 (78%) and assets of the permanent improvement fund comprised \$843,688 (8%) of the total \$10,435,468 governmental funds' assets.

General Fund: Fund balance at June 30, 2013 was \$3,509,990, an increase in fund balance of \$889,502. The fund balance increased mainly due to an increase in tax monies received.

Permanent Improvement Fund: Fund balance at June 30, 2013 was \$492,727, an increase in fund balance of \$347,402. The fund balance increased mainly due to an issuance of new debt.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$13,689,203, compared to original budget estimates of \$13,498,625.

The District's ending unobligated cash balance for the General Fund was \$4,230,769.

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$21,168,724 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2013	2012
Land	\$474,430	\$474,430
Construction in Progress	1,736,363	0
Buildings and Improvements	17,861,329	18,567,150
Equipment	1,096,602	1,260,150
Total Net Capital Assets	<u>\$21,168,724</u>	<u>\$20,301,730</u>

The increase in capital assets is due to current year construction in progress.

See Note 6 to the Basic Financial Statements for further details on the District's capital assets.

Debt

At June 30, 2013, the District had \$4,871,331 in bonds payable, \$375,000 due within one year. Table 5 summarizes bonds outstanding at year end.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2013	2012
General Obligation Bonds:		
State Facilities Construction	\$190,000	\$365,000
2006 Refunding Bonds:		
Current Interest Bonds	2,100,000	2,145,000
Current Appreciation Bonds – Principal Only	85,000	85,000
Current Appreciation Bonds – Compounding Interest	250,122	189,193
Deferred Amount on Refunding Bonds	(94,908)	(104,398)
Premium on Refunding Bonds	138,604	152,465
2013 Certificate of Participation	2,080,000	0
2013 Capital Appreciation Bonds	34,999	0
2013 Capital Appreciation Bonds - Compounding Interest	4,986	0
Premium on 2013 Certificate of Participation	82,528	0
Total Outstanding Debt at Year End	<u>\$4,871,331</u>	<u>\$2,832,260</u>

See Note 7 to the Basic Financial Statements for further details on the District's long-term obligations.

**Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

For the Future

For the 2012 fiscal year, the District was funded under the BRIDGE formula, which was based on OEBM. A new funding formula is due out for the 2013 fiscal year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darlene Kassner, Treasurer at Blanchester Local School District, 951 Cherry Street, Blanchester, Ohio 45107. Or E-mail at kassnerd@blan.org.

Blanchester Local School District, Ohio
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$5,600,822
Cash and Investment with Fiscal Agent	564,816
Receivables:	
Taxes	3,905,028
Accounts	32,710
Interest	1,826
Intergovernmental	171,032
Deferred Bond Issuance Costs	126,231
Inventory	17,616
Nondepreciable Capital Assets	2,210,793
Depreciable Capital Assets, Net	<u>18,957,931</u>
 Total Assets	 <u>31,588,805</u>
Liabilities:	
Accounts Payable	262,159
Accrued Wages and Benefits	1,532,651
Accrued Interest Payable	12,441
Unearned Revenue	3,431,796
Long-Term Liabilities:	
Due Within One Year	460,225
Due In More Than One Year	<u>4,697,563</u>
 Total Liabilities	 <u>10,396,835</u>
Net Position:	
Net Investment in Capital Assets	16,552,501
Restricted for:	
Debt Service	367,582
Capital Projects	503,033
Classroom Facilities Maintenance	119,882
Extracurricular	59,009
Food Service	72,805
Federal Grants	185,520
Other Purposes	20,939
Unrestricted	<u>3,310,699</u>
 Total Net Position	 <u><u>\$21,191,970</u></u>

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$6,271,185	\$1,479,317	\$177,456	(\$4,614,412)
Special	1,043,897	76,222	1,087,046	119,371
Vocational	336,672	0	103,852	(232,820)
Other	786,786	0	0	(786,786)
Support Services:				
Pupil	425,693	0	106,175	(319,518)
Instructional Staff	1,331,896	0	282,288	(1,049,608)
General Administration	24,185	0	0	(24,185)
School Administration	1,512,194	0	31,160	(1,481,034)
Fiscal	420,253	0	781	(419,472)
Business	7,699	0	0	(7,699)
Operations and Maintenance	1,316,605	2,226	56,224	(1,258,155)
Pupil Transportation	967,387	0	35,796	(931,591)
Central	12,371	0	0	(12,371)
Operation of Non-Instructional Services	1,241,534	260,560	621,325	(359,649)
Extracurricular Activities	165,568	132,412	0	(33,156)
Interest and Fiscal Charges	208,544	0	0	(208,544)
Total Governmental Activities	\$16,072,469	\$1,950,737	\$2,502,103	(11,619,629)

General Revenues:	
Property Taxes Levied for:	
General Purposes	2,636,157
Special Revenue Purposes	52,726
Debt Service Purposes	239,151
Capital Projects Purposes	117,301
Grants and Entitlements not Restricted	8,466,715
Unrestricted Contributions	37,312
Investment Earnings	32,016
Other Revenues	109,513
Total General Revenues	11,690,891
Change in Net Position	71,262
Net Position - Beginning of Year	21,120,708
Net Position - End of Year	\$21,191,970

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$4,629,652	\$123,566	\$847,604	\$5,600,822
Cash and Investment with Fiscal Agent	0	564,816	0	564,816
Receivables:				
Taxes	3,368,634	155,306	381,088	3,905,028
Accounts	31,169	0	1,541	32,710
Interest	1,797	0	29	1,826
Intergovernmental	0	0	171,032	171,032
Interfund	139,529	0	2,089	141,618
Inventory	0	0	17,616	17,616
Total Assets	8,170,781	843,688	1,420,999	10,435,468
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	39,695	204,461	18,003	262,159
Accrued Wages and Benefits	1,374,692	0	157,959	1,532,651
Compensated Absences	66,629	0	0	66,629
Interfund Payable	0	0	141,618	141,618
Deferred Revenue	3,179,775	146,500	525,651	3,851,926
Total Liabilities	4,660,791	350,961	843,231	5,854,983
Fund Balances:				
Nonspendable	0	0	17,616	17,616
Restricted	0	492,727	676,620	1,169,347
Committed	11,000	0	0	11,000
Assigned	2,105,434	0	0	2,105,434
Unassigned	1,393,556	0	(116,468)	1,277,088
Total Fund Balances	3,509,990	492,727	577,768	4,580,485
Total Liabilities and Fund Balances	\$8,170,781	\$843,688	\$1,420,999	\$10,435,468

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2013

Total Governmental Fund Balance		\$4,580,485
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.		21,168,724
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	254,028	
Intergovernmental	<u>166,102</u>	
		420,130
In the statement of net position interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(12,441)
Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(219,828)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		126,231
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(4,871,331)</u>
Net Position of Governmental Activities		<u><u>\$21,191,970</u></u>

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$2,700,280	\$119,825	\$298,102	\$3,118,207
Tuition and Fees	1,551,634	0	0	1,551,634
Investment Earnings	31,418	0	598	32,016
Intergovernmental	9,590,047	17,972	1,651,496	11,259,515
Extracurricular Activities	4,522	0	131,795	136,317
Charges for Services	200	0	262,586	262,786
Other Revenues	134,227	0	12,597	146,824
Total Revenues	14,012,328	137,797	2,357,174	16,507,299
Expenditures:				
Current:				
Instruction:				
Regular	5,373,859	40,326	236,605	5,650,790
Special	977,571	0	5,621	983,192
Vocational	332,672	0	4,000	336,672
Other	786,786	0	0	786,786
Support Services:				
Pupil	318,873	0	105,510	424,383
Instructional Staff	1,044,201	0	285,978	1,330,179
General Administration	24,185	0	0	24,185
School Administration	1,430,734	0	30,106	1,460,840
Fiscal	402,618	2,949	7,900	413,467
Business	7,699	0	0	7,699
Operations and Maintenance	1,180,578	0	99,984	1,280,562
Pupil Transportation	907,433	0	0	907,433
Central	12,371	0	0	12,371
Operation of Non-Instructional Services	295,312	0	904,615	1,199,927
Extracurricular Activities	0	0	139,341	139,341
Capital Outlay	0	1,862,119	12,480	1,874,599
Debt Service:				
Principal Retirement	0	0	220,000	220,000
Interest and Fiscal Charges	27,934	0	112,150	140,084
Bond Issuance Cost	0	88,423	0	88,423
Total Expenditures	13,122,826	1,993,817	2,164,290	17,280,933
Excess of Revenues Over (Under) Expenditures	889,502	(1,856,020)	192,884	(773,634)
Other Financing Sources (Uses):				
Issuance of Certificate of Participation	0	2,114,999	0	2,114,999
Premium on Certificate of Participation	0	88,423	0	88,423
Total Other Financing Sources (Uses)	0	2,203,422	0	2,203,422
Net Change in Fund Balance	889,502	347,402	192,884	1,429,788
Fund Balance - Beginning of Year	2,620,488	145,325	384,884	3,150,697
Fund Balance - End of Year	\$3,509,990	\$492,727	\$577,768	\$4,580,485

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balance - Total Governmental Funds \$1,429,788

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

Governmental funds report capital asset additions 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 of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	1,760,264	
Depreciation Expense	<u>(888,739)</u>	
		871,525

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (4,531)

Revenues in the statement of activities that do not provide
 current financial resources are not reported as revenues in
 the funds.

Delinquent Property Taxes	(72,872)	
Intergovernmental	<u>(290,696)</u>	
		(363,568)

In the statement of activities, certain costs and proceeds associated with
 long-term debt obligations issued during the year are accrued and
 amortized over the life of the debt obligation. In governmental funds
 these costs and proceeds are recognized as financing sources and uses.

Bond Issuance Costs	\$88,423	
Premium on Bonds Issued	<u>(88,423)</u>	
		0

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 220,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. (2,546)

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

Compensated Absences	101,507	
Amortization of Bond Issuance Cost	(10,265)	
Amortization of Bond Premium	19,756	
Amortization of Deferred Charge on Refunding	(9,490)	
Bond Accretion	<u>(65,915)</u>	
		35,593

Proceeds from debt issues are an other financing source in the funds,
 but a debt issue increases long-term liabilities in the statement
 of net position. (2,114,999)

Change in Net Position of Governmental Activities \$71,262

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$200,412	\$29,145
Receivables:		
Interest	<u>49</u>	<u>0</u>
Total Assets	<u>200,461</u>	<u>29,145</u>
Liabilities:		
Accounts Payable	0	706
Other Liabilities	<u>0</u>	<u>28,439</u>
Total Liabilities	<u>0</u>	<u>\$29,145</u>
Net Position:		
Held in Trust	<u>200,461</u>	
Total Net Position	<u>\$200,461</u>	

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
Additions:	
Investment Earnings	\$1,175
Other	700
Total Additions	<u>1,875</u>
Deductions:	
Other	<u>10,650</u>
Total Deductions	<u>10,650</u>
Change in Net Position	(8,775)
Net Position - Beginning of Year	<u>209,236</u>
Net Position - End of Year	<u><u>\$200,461</u></u>

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 1 - Description of the District

The Blanchester Local School District ("District") was originally organized in 1854 and known as Blanchester Village School. On July 1, 1959 Blanchester Village School, Jefferson Township School and Edenton Local School District became Blanchester Local School District. In 1853 State Laws were enacted to create local boards of education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected, five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's four instructional and support facilities staffed by 93 classified, 96 certified and eight administrative employees to provide service to 1,794 students and other community members.

Reporting Entity

The financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the 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 most significant of the District's accounting policies are described below.

Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

The government-wide statement of activities presents a comparison for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds focus 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 District's major governmental fund:

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

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Fiduciary Funds

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

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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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 year end: property taxes available for advance, grants and interest.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

Interest revenue credited to the general fund during fiscal year 2013 amounted to \$31,418 and \$598 in other governmental funds.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance assignment in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The 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. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Building Improvements	20-40 years
Equipment	3-15 years

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vested payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the amount recorded as compensated absences is the amount due at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in proprietary funds.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned service year depending on length of service	Not Eligible	Per Contract	10-20 days for each
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Not Applicable	Not Applicable
<u>Sick Leave</u>			
How Earned of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month
Maximum Accumulation	228 days	Per Contract	228 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$1,328,770 in restricted net position, none were restricted by enabling legislation.

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.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the governmental activities column of the statement of net position.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Estimates

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

Note 3 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2013, \$5,600 of the District's bank balance of \$4,330,761 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2013, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal Farm Credit Banks	\$249,818	1.38
Federal Home Loan Bank	70,300	0.49
U.S. Treasury Equivalent	<u>1,113,975</u>	0.00
Total Fair Value	<u><u>\$1,434,093</u></u>	
Portfolio Weighted Average Maturity		0.26

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Federal Farm Credit Bank and Federal Home Loan Bank were rated AA+ by Standard and Poor’s and Fitch ratings and Aaa by Moody’s Investment Service. The U.S. Treasury Equivalent was not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in government sponsored enterprise (GSE) securities. The District has invested 100% of its investments in government sponsored enterprise (GSE) securities.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2013 (other than public utility property tax) represents the collection of 2013 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after April 1, 2012, on the value as of December 31, 2012. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Clinton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2014 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2013. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance \$188,859 in the General Fund and \$8,806 in the Permanent Improvement Fund and \$21,539 in Other Governmental Funds.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$127,081,280
Public Utility Personal	<u>6,180,532</u>
Total	<u><u>\$133,261,812</u></u>

Note 5 – Receivables

Receivables at June 30, 2013, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants and interfund. 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.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$474,430	\$0	\$0	\$474,430
Construction in Progress	0	1,736,363	0	1,736,363
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	30,057,278	0	0	30,057,278
Equipment	7,397,927	23,901	45,306	7,376,522
Totals at Historical Cost	<u>37,929,635</u>	<u>1,760,264</u>	<u>45,306</u>	<u>39,644,593</u>
Less Accumulated Depreciation:				
Buildings and Improvements	11,490,128	705,821	0	12,195,949
Equipment	6,137,777	182,918	40,775	6,279,920
Total Accumulated Depreciation	<u>17,627,905</u>	<u>888,739</u>	<u>40,775</u>	<u>18,475,869</u>
Governmental Activities Capital Assets, Net	<u>\$20,301,730</u>	<u>\$871,525</u>	<u>\$4,531</u>	<u>\$21,168,724</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$634,246
Special	60,705
Support Services:	
Pupil	1,310
School Administration	61,804
Operations and Maintenance	52,508
Pupil Transportation	32,201
Operation of Non-Instructional Services	36,304
Extracurricular Activities	9,661
Total Depreciation Expense	<u>\$888,739</u>

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 7 - Long-Term Liabilities

	Interest Rate	Maturity Dates	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:							
General Obligation Bonds:							
2000 School Facilities Construction	5.67%	12/1/22	\$365,000	\$0	\$175,000	\$190,000	\$190,000
2006 Refunding Bonds:							
Current Interest Bonds	4.00%-4.25%	12/1/22	2,145,000	0	45,000	2,100,000	45,000
Current Appreciation Bonds							
Principal Only		12/1/15	85,000	0	0	85,000	0
Current Appreciation Bonds							
Compounding Interest	20.12%-22.01%	12/1/15	189,193	60,929	0	250,122	0
Deferred Amount on Refunding Bonds			(104,398)	0	(9,490)	(94,908)	0
Premium on Refunding Bonds			152,465	0	13,861	138,604	0
2013 Certificate of Participation			0	2,080,000	0	2,080,000	140,000
2013 Capital Appreciation Bonds			0	34,999	0	34,999	0
2013 Capital Appreciation Bonds -							
Compounding Interest			0	4,986	0	4,986	0
Premium on 2013 Certificate of Participation			0	88,423	5,895	82,528	0
Total Bonds			2,832,260	2,269,337	230,266	4,871,331	375,000
Compensated Absences			338,305	125,000	176,848	286,457	85,225
Total Governmental Activities			<u>\$3,170,565</u>	<u>\$2,394,337</u>	<u>\$407,114</u>	<u>\$5,157,788</u>	<u>\$460,225</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2014	\$375,000	\$138,422	\$0	\$0
2015	145,000	126,834	40,000	190,000
2016	150,000	125,209	45,000	225,000
2017	425,000	117,835	0	0
2018	440,000	104,254	0	0
2019-2023	2,125,000	305,505	34,999	120,001
2024-2028	710,000	42,480	0	0
Total	<u>\$4,370,000</u>	<u>\$960,539</u>	<u>\$119,999</u>	<u>\$535,001</u>

Note 8 - Prior Year Defeasance of Debt

As a result of the 2007 advance refunding, the \$2,445,000 of the 2000 School Facilities Construction Bonds and \$179,000 of the Putnam Addition and Junior High Gym Improvement Bonds are considered defeased and the liability is therefore not included on the Statement of Net Position.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 9 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The 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 on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$370,488, \$342,504, and \$365,520, respectively; 66% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$700,596, \$710,376, and \$844,056, respectively; 80% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 10- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74%. District contributions for the years ended June 30, 2013, 2012 and 2011 were \$19,583, \$18,593, and \$19,843, respectively, which equaled the required contributions each year.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2013, the health care allocation was .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$4,234, \$34,984, and \$37,335, respectively; has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

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

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

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$50,043, \$50,741, and \$60,290, 80% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 11 - Contingent Liabilities

Grants

The District receives significant financial assistance from numerous federal, state and local 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2013.

Litigation

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

Note 12 - Jointly Governed Organizations

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 27 school districts. The jointly governed 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 districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. To obtain financial information write to: Thor Suge, Director, 330 East Enon Road, Yellow Springs, Ohio 45387.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

The Ohio region 14 state Support Team (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Southern Ohio Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and from Federal and State grants. To obtain financial information write to: Alleyn Unversaw, Treasurer, Southern Ohio Educational Service District, 3321 Airborne Road, Wilmington, Ohio 45177.

Note 13 - Related Organization

Public Library - The Blanchester Public Library is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Blanchester School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax-related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Blanchester Public Library, Mrs. Pamela Smith, Clerk/Treasurer, at 110 North Broadway, Blanchester, Ohio 45107.

Note 14 - Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers. Settled claims have not exceeded commercial coverage in any of the past four years.

The District provides health insurance to employees through a private carrier. They no longer provide benefits through a self insurance program.

Note 15 – Accountability

The following individual funds had a deficit in fund balance at year end:

	<u>Deficit</u>
Other Governmental Funds:	
Summer Intervention	\$5,124
Vocational Education Enhancement	626
Alternative Schools	25,381
Special Education	67,002
Title V	9,564
Miscellaneous Federal Grants	8,771

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

The deficit fund balance in these special revenue funds was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Note 16 - Set-Asides

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

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2012	\$0
Current Year Set Aside Requirements	291,900
Qualified Disbursements	(105,650)
Current Year Offsets	(186,250)
Set Aside Reserve Balance as of June 30, 2013	<u>\$0</u>

Restricted Cash as of June 30, 2013

Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits of \$18,059,188 available for carryover to offset capital acquisition requirements of future years.

Note 17 - Interfund Transactions

Interfund transactions at June 30, 2013, consisted of the following interfund receivable and payable:

	Interfund	
	Receivable	Payable
General Fund	\$139,529	\$0
Other Governmental Funds	2,089	141,618
Total All Funds	<u>\$141,618</u>	<u>\$141,618</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 18 – Fund Balances

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

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
Nonspendable:				
Inventory	\$0	\$0	\$17,616	\$17,616
Total Nonspendable	0	0	17,616	17,616
Restricted for:				
Local Grants	0	0	213	213
Classroom Facilities Maintenance	0	0	116,411	116,411
Student Activity	0	0	59,009	59,009
Data Communication	0	0	19,852	19,852
Miscellaneous State Grants	0	0	874	874
Title I	0	0	28,029	28,029
Drug Free Schools	0	0	2,089	2,089
Improving Teacher Quality	0	0	28,698	28,698
Food Service	0	0	62,080	62,080
Debt Service	0	0	359,365	359,365
Permanent Improvement	0	492,727	0	492,727
Total Restricted	0	492,727	676,620	1,169,347
Committed to:				
Permanent Improvements	11,000	0	0	11,000
Total Committed	11,000	0	0	11,000
Assigned to:				
Encumbrances	2,105,434	0	0	2,105,434
Total Assigned	2,105,434	0	0	2,105,434
Unassigned (Deficit)	1,393,556	0	(116,468)	1,277,088
Total Fund Balance	\$3,509,990	\$492,727	\$577,768	\$4,580,485

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 19 – Change in Accounting Principles

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position. The implementation of these GASB Statements had no material effect on the District's financial statements.

Blanchester Local School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,653,054	\$2,690,510	\$2,738,043	\$47,533
Tuition and Fees	1,464,830	1,485,511	1,511,755	26,244
Investment Earnings	29,123	29,534	30,056	522
Intergovernmental	9,292,370	9,423,563	9,590,047	166,484
Charges for Services	194	197	200	3
Other Revenues	59,054	59,888	60,946	1,058
Total Revenues	13,498,625	13,689,203	13,931,047	241,844
Expenditures:				
Current:				
Instruction:				
Regular	5,972,634	5,159,691	5,127,438	32,253
Special	1,124,811	971,711	965,637	6,074
Vocational	393,373	339,830	337,706	2,124
Other	933,091	806,087	801,048	5,039
Support Services:				
Pupil	409,951	354,152	351,938	2,214
Instructional Staff	1,265,340	1,093,113	1,086,280	6,833
General Administration	32,212	27,828	27,654	174
School Administration	1,623,075	1,402,156	1,393,391	8,765
Fiscal	475,511	410,789	408,221	2,568
Business	13,962	12,061	11,986	75
Operations and Maintenance	1,482,355	1,280,590	1,272,585	8,005
Pupil Transportation	1,111,241	959,989	953,988	6,001
Central	14,410	12,449	12,371	78
Extracurricular Activities	349,341	301,791	299,905	1,886
Debt Service:				
Interest and Fiscal Charges	32,539	28,110	27,934	176
Total Expenditures	15,233,846	13,160,347	13,078,082	82,265
Excess of Revenues Over (Under) Expenditures	(1,735,221)	528,856	852,965	324,109
Other Financing Sources (Uses):				
Advances In	48,607	49,293	50,164	871
Advances (Out)	(6,099)	(5,269)	(5,236)	33
Total Other Financing Sources (Uses)	42,508	44,024	44,928	904
Net Change in Fund Balance	(1,692,713)	572,880	897,893	325,013
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	3,332,876	3,332,876	3,332,876	0
Fund Balance - End of Year	\$1,640,163	\$3,905,756	\$4,230,769	\$325,013

See accompanying notes to the required supplementary information.

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2013

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2013.

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

Any budgetary modifications at the fund and function level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2013

Estimated Resources

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2013.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriations and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as an assignment of fund balance for subsequent year expenditures for governmental funds.

Lapsing of Appropriations

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

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2013

While the 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are 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 for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	General
GAAP Basis	\$889,502
Revenue Accruals	(81,281)
Expenditure Accruals	274,659
Advances In	50,164
Advances (Out)	(5,236)
Encumbrances	(231,710)
Funds Budgeted Elsewhere	1,795
Budget Basis	\$897,893

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE of FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed through Ohio Department of Education:</i>					
Nutrition Cluster:					
National School Breakfast Program	10.553	94,329		94,329	
National School Lunch Program	10.555	341,011	181,081	341,011	163,465
<i>Total Nutrition Cluster</i>		435,340	181,081	435,340	163,465
Total U.S. Department of Agriculture		435,340	181,081	435,340	163,465
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title I - FY 13	84.010	230,095		218,725	
Title I - FY 12		97,837		43,471	
<i>Total Title I</i>		327,932		262,196	
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY 13	84.027	276,701		259,249	
IDEA Part B - FY 12		46,924	----	55,549	----
Caseload Ratio Reseign - FY 12		27,532	----	-	----
			----		----
Early Childhood - FY 13	84.173	5,619		5,619	
<i>Total Special Education Cluster</i>		356,776		320,417	
Additional Programs:					
		-			
Improving Teacher Quality - FY 13	84.367	58,000	----	56,293	----
Improving Teacher Quality - FY 12		21,996		7,945	
<i>Total Improving Teacher Quality</i>		79,996	-	64,238	-
Ed Jobs Fund	84.410	113,800	----	130,791	----
<i>Passed through Great Oaks Institute of Technology and Career Development</i>					
Vocational Education Basic Grants to States					
Career Education	84.048	4,000		4,000	
Total Department of Education		882,504	-	781,642	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 1,317,844	\$ 181,081	\$ 1,216,982	\$ 163,465

The accompanying notes to this schedule are an integral part of this schedule.

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanchester Local School District, Clinton, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2014



Dave Yost • Auditor of State

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

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Blanchester Local School District's (the 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 Blanchester Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The 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 District's compliance for the 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 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 District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the 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, 2013.

Report on Internal Control Over Compliance

The 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 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 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

March 25, 2014

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code, Section 5705.39, provides, in part, that appropriations shall not exceed the amount of estimated revenue available for expenditure as certified by the budget commission on the official certificate of estimated resources.

Ohio Rev. Code, Section 5705.41(A), states that the authorization of a bond issue shall be deemed to be an appropriation of the proceeds of the bond issue for the purpose for which such bonds were issued, but no expenditure shall be made from any bond fund until first authorized by the taxing authority.

During the fiscal year, the District issued debt and received proceeds. Officials did not amend the current level of estimated resources to reflect the proceeds of the debt. As a result, appropriations exceeded estimated resources in the following fund.

Fund	Estimated Resources	Appropriations	Variance
003	\$27,1286	\$2,446,221	(\$2,174,935)

We recommend that the Treasurer monitor estimated receipts and request an amended certificate when debt proceeds are received, so that the estimated resources will properly reflect the debt issuance and will adequately support appropriations.

Officials' Response:

We did not receive a response from Officials to the finding above.

FINDING NUMBER 2013-002

Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2013-002
(Continued)**

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 17% (4/24) of expenditures tested nor did the District use the aforementioned exceptions. Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the District uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

We did not receive a response from Officials to the finding above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

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BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Appropriations exceeded Estimated Resources	No	Reissued as Finding 2013-001

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Blanchester Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 15, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2014

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Dave Yost • Auditor of State

BLANCHESTER LOCAL SCHOOL DISTRICT

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 8, 2014**