

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

RHONDA MELCHI, TREASURER/CFO



Dave Yost • Auditor of State

Board of Education
Bowling Green City School District
137 Clough Street
Bowling Green, Ohio 43402

We have reviewed the *Independent Auditor's Report* of the Bowling Green City School District, Wood County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Bowling Green City School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 3, 2014

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**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

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BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2014

ELECTED OFFICIALS

Board of Education	Title	Term of Office
Stephen Cernkovich, Ph.D	President	1/1/12 – 12/31/15
Lee Hakel	Vice President	1/1/12 – 12/31/15
Ellen Scholl	Member	1/1/14 – 12/31/17
Paul Walker	Member	1/1/12 – 12/31/15
Edward Whipple, Ph.D.	Member	1/1/14 – 12/31/17

ADMINISTRATIVE PERSONNEL

Administrative	Title	Term of Contract
Ann F. McVey, E.D. ¹	Superintendent	1/1/11 – 7/31/14
Rhonda Melchi, CPA ²	Treasurer	1/1/10 – 7/31/14

LEGAL COUNSEL

External:

Bricker & Eckler, LLP
Attorneys at Law
100 South Third Street
Columbus, Ohio 43215

¹ Surety: Buckeye Union Insurance Company
Bond: \$5,000

² Surety: Buckeye Union Insurance Company
Bond: \$25,000

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

INDEX OF FUNDS PER GASB 54 CLASSIFICATIONS

GOVERNMENTAL FUNDS

General Fund

General Fund
Public School Support Fund
Severance Benefits Fund (H.B. 426)

Special Revenue Funds

Tributes Fund
Other Local Grants Fund
District-Managed Activity Fund
Auxiliary Services Fund
Network Connectivity Fund
IDEA - Special Education, Part B Fund
Title III – Immigrant Fund
Title I – Targeted Assistance Grant Fund
Title II-A Grant Fund
Early Childhood Special Education – IDEA Fund
Other Federal Grant Fund

Debt Service Funds

Bond Retirement Fund

Capital Projects Funds

Permanent Improvement Fund
Construction Fund

Permanent Fund

Memorials Fund

PROPRIETARY FUNDS

Enterprise Funds

Food Service Fund
Performing Arts Center Operations Fund

FIDUCIARY FUNDS

Agency Funds:

Student-Managed Activity Fund
District Agency Fund

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Bowling Green City School District
Wood County
137 Clough Street
Bowling Green, Ohio 43402

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, its major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Bowling Green City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, its major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* on pages 3 - 9 and the *Required Budgetary Comparison Schedule* on page 42, as 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 Bowling Green City School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") 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 relates 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 October 29, 2014, on our consideration of the Bowling Green City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bowling Green City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
October 29, 2014

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

The Management's Discussion and Analysis is required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The purpose of this supplementary information is to provide a narrative overview of the accompanying financial statements although readers should also review the basic financial statements and notes to gain a complete understanding of the District's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

These basic financial statements include two kinds of statements that present different views of the District:

Government-wide Statements – These financial statements provide both long-term and short-term information about the District's overall financial status.

Fund Financial Statements – These statements focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting similar to that used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities plus deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide statements report the District's net position and how they have changed. Net position (the difference between the District's assets and liabilities plus deferred inflows of resources) is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional nonfinancial factors such as property tax base, current property tax laws, and student enrollment growth and facility conditions.

The Government-wide financial statements of the District fall into two categories:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, non-instructional and extracurricular activities.
- **Business-type Activities** – The District operates a food service program and opens its Performing Arts Center to outside groups for use. These activities are intended to be self-supporting.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds rather than the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Governmental Funds – Most of the District's activities are reported in Governmental Funds, which focus on (a) how money flows into and out of those funds and (b) the balances left at year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. This method 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Government-wide statements) and governmental funds is reconciled in the financial statements. For the fiscal year ended June 30, 2014 the General Fund was considered "major" for reporting purposes due to its level of activity and is reported separately from all other Governmental funds in the fund financial statements. The District implemented Governmental Accounting Standard Board (GASB) Statement 54 in a prior fiscal year. In accordance with GASB 54, certain reclassifications of funds were made to include their activity as part of the General Fund rather than inclusion in other governmental funds.

Proprietary Funds – The District uses enterprise funds to report activities for which fees are charged. These enterprise funds are the same as business-type activities, but provide more detail and additional information such as cash flows.

Fiduciary Funds – The District is the agent, or fiduciary, for various student-managed activity programs and other similar programs listed as agency funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position – The following table shows a comparative analysis of net position for the fiscal years ended June 30, 2014 and 2013:

	Governmental Activities			Business-type Activities		
	2014	2013	Increase/ (Decrease)	2014	2013	Increase/ (Decrease)
Current and other assets	\$ 29,305,056	\$ 26,606,192	\$ 2,698,864	\$ 410,905	\$ 388,474	\$ 22,431
Capital assets, net	32,980,500	34,281,960	(1,301,460)	90,404	86,089	4,315
Total assets	62,285,556	60,888,152	1,397,404	501,309	474,563	26,746
Long-term obligations outstanding	28,663,233	29,542,980	(879,747)	71,319	71,288	31
Other liabilities	2,188,568	2,867,117	(678,549)	75,619	83,842	(8,223)
Total liabilities	30,851,801	32,410,097	(1,558,296)	146,938	155,130	(8,192)
Deferred inflows	13,891,896	13,737,313	154,583	-	-	-
Net position						
Invested in capital assets,						
net of related debt	6,532,857	7,063,761	(530,904)	90,404	86,089	4,315
Restricted	2,177,314	2,278,527	(101,213)	-	-	-
Unrestricted	8,831,688	5,398,454	3,433,234	263,967	233,344	30,623
Total net position	\$ 17,541,859	\$ 14,740,742	\$ 2,801,117	\$ 354,371	\$ 319,433	\$ 34,938

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

For the last several years, the District addressed the usefulness of its buildings. By fiscal year 2014 the District had consolidated its elementary needs into three buildings. After closing Ridge Elementary at the end of 2012-2013 school year, it was sold to the City of Bowling Green in October, 2013. An auction was held to liquidate the contents as well as other obsolete equipment and furnishings. These activities account for the changes in Net Capital Assets.

As a result of consolidating elementary buildings and other cost-saving measures discussed later in this document, the District's cash and investments balances increased accounting for over half of the increase in current assets. Taxes receivable also grew for fiscal year ending June 30, 2014.

Long-term liabilities decreased as debt principal payments were made and no new debt was issued. Also adding to the reduction in long-term liabilities was a change in the amount of severance pay employees are eligible to receive for accumulated leave implemented during 2014. Timing of pay periods resulted in less wages and benefits accrued at year-end leading to a decrease in other liabilities.

Changes in Net Position - The following table shows the changes in net position for the fiscal year ending June 30, 2014 as compared with 2013:

	Governmental Activities			Business-type Activities		
	2014	2013	Increase/ (Decrease)	2014	2013	Increase/ (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 949,070	\$ 834,069	\$ 115,001	\$ 501,333	\$ 578,881	\$ (77,548)
Operating grants	2,638,519	1,839,774	798,745	631,219	655,601	(24,382)
General revenues						
Property and income taxes	21,889,109	21,786,691	102,418	-	-	-
Unrestricted grants	10,219,714	9,884,330	335,384	-	-	-
Other	66,873	155,816	(88,943)	642	1,604	(962)
Total revenues	35,763,285	34,500,680	1,262,605	1,133,194	1,236,086	(102,892)
Expenses						
Instruction	20,068,217	19,777,954	290,263	-	-	-
Support services	10,331,251	11,583,074	(1,251,823)	-	-	-
Noninstructional	556,575	580,899	(24,324)	-	-	-
Extracurricular Activities	806,033	938,530	(132,497)	-	-	-
Interest and Fiscal Charges	1,159,343	1,171,045	(11,702)	-	-	-
Other	749	1,468	(719)	-	-	-
Food Service	-	-	-	1,092,188	1,168,370	(76,182)
Performing Arts Center	-	-	-	46,068	44,551	1,517
Total expenses	32,922,168	34,052,970	(1,130,802)	1,138,256	1,212,921	(74,665)
Transfers/Capital Contribution	(40,000)	(40,000)	-	40,000	40,000	-
Change in Net Position	2,801,117	407,710	2,393,407	34,938	63,165	(28,227)
Beginning net position	14,740,742	14,333,032	407,710	319,433	256,268	63,165
Ending net assets	\$ 17,541,859	\$ 14,740,742	\$ 2,801,117	\$ 354,371	\$ 319,433	\$ 34,938

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home with an assessed value of \$100,000 and taxed at 1.0 mill would have paid \$35 in taxes at the time the levy was voted in. If during the County's reappraisal the home's assessed value was increased to \$200,000 (and this increase is comparable to increases for other property owners in the neighborhood) the effective tax rate would become 0.5 mills and the owner would continue to pay \$35 in property tax. However, the effective total millage cannot be reduced below 20 mills according to state statute. This maintenance of the amount of property taxes generated coupled with the state funding method cause school districts to regularly return to voters in order for revenues to keep pace with expenses. In addition to property taxes, residents of the school district pay .5% (one-half percent) of their income in school district income tax. Since the District must rely heavily on voter

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

approval of operating tax issues, management of District resources is of utmost concern to both the administration and the voting public. The District uses a five-year financial forecast to determine whether current tax levies can sustain operations. The last forecast in the fiscal year ended June 30, 2014 indicated that the District would not need to seek any new tax levies until fiscal year 2018 based upon the assumptions used in formulating the forecast. Coupled with increased funding from the State of Ohio and steps taken by the District to reduce expenditures, the need to place additional tax levies on the ballot after defeat of an additional income tax in November, 2012 and a property tax levy and May, 2013, respectively, has been postponed. However, the District will have two levies up for renewal in calendar year 2015.

Property and income taxes made up 61.3% of revenues for governmental activities of the Bowling Green City School District in fiscal year 2014 and 63.2% in fiscal year 2013. Tax revenues increased in fiscal year 2014 because of improvement in the economy which resulted in additional school district income tax collections.

The following table demonstrates the District's reliance upon tax revenues:

Revenue Source	2014		2013	
	Amount	% of Total	Amount	% of Total
General tax revenues	\$ 21,889,109	61.2%	\$ 21,786,691	63.2%
Unrestricted grants	10,219,714	28.6%	9,884,330	28.6%
Program revenues	3,587,589	10.0%	2,673,843	7.8%
Other revenues	66,873	0.2%	155,816	0.4%
Total Revenue	<u>\$ 35,763,285</u>	<u>100.0%</u>	<u>\$ 34,500,680</u>	<u>100.0%</u>

The State's biennial budget bill effective for the period July 1, 2013 through June 30, 2014 produced an increase in the state foundation funding of approximately a half million dollars leading to higher unrestricted grant revenues in fiscal year 2014. The increase in program revenues is attributable to the use of federal program carry-overs and the addition of student instructional fees and pay-to-participate fees.

Business-type Activities

Business-type activities account for the District's food service program. The District also began accounting for the usage of the Performing Arts Center (PAC) by outside groups as a business-type activity. The PAC operations were supported largely by a transfer from the General Fund in both fiscal years 2014 and 2013. Student lunch sales were affected by the unusual winter weather conditions in 2014 that caused school to close for more days than normal. Food service to a local parochial school was also discontinued beginning with this fiscal year. Despite these challenges the net position grew.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's Governmental Funds reported a combined fund balance of \$12,991,163. This was a 33.5% upturn from June 30, 2013. The following schedule indicates the fund balance and total change in fund balance by fund type as of June 30, 2014 and 2013.

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)
General Fund	\$ 11,144,748	\$ 7,771,539	\$ 3,373,209
Other Governmental	1,846,415	1,957,213	(110,798)
Total	<u>\$ 12,991,163</u>	<u>\$ 9,728,752</u>	<u>\$ 3,262,411</u>

The General Fund balance swelled 43% as a result of savings from reduced operating costs compounded with an upturn in revenue. The District has been continuing to reduce staffing where possible and to delay purchasing. The drop in Other Governmental Funds balance points to the use of funds for improvements to buildings. The District has continued to curtail its overall spending as discussed further under "Economic Factors".

Budgetary Highlights

A supplementary schedule is included after the Notes to the Financial Statements to present budgetary information for the General Fund of the District. There were no amendments made to the General Fund appropriations in fiscal year 2014. Budgeted revenues were revised mainly due to changes in tax information contained in the Certificate of Estimated Resources.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS ADMINISTRATION

Capital Assets

At June 30, 2014, the District had net capital assets in the amount of \$33,040,904 invested in land, buildings and improvements, furniture and equipment, and vehicles. While the District purchased two much-needed busses to replace two that were poor condition, as mentioned earlier in this discussion, the Ridge Elementary building and contents as well as some other obsolete equipment and furnishings were sold at auction. Accordingly, net capital assets decreased \$1,297,145. The District owns no infrastructure. The following table presents comparative balances for fiscal years 2014 and 2013:

	Governmental Activities		Business-type Activities		Total	Total	Total
	2014	2013	2014	2013	2014	2013	Increase (Decrease)
Land	\$ 278,664	\$ 279,264	\$ -	\$ -	\$ 278,664	\$ 279,264	\$ (600)
Construction in Progress	-	-	-	-	-	-	-
Buildings & Improvements	44,651,625	44,797,489	-	-	44,651,625	44,797,489	(145,864)
Furniture & Equipment	4,115,081	4,191,458	309,254	335,798	4,424,335	4,527,256	(102,921)
Vehicles	2,151,963	2,042,292	20,102	20,102	2,172,065	2,062,394	109,671
Accumulated depreciation	(18,216,833)	(17,028,543)	(238,952)	(269,811)	(18,455,785)	(17,298,354)	(1,157,431)
Net Capital Assets	<u>\$ 32,980,500</u>	<u>\$ 34,281,960</u>	<u>\$ 90,404</u>	<u>\$ 86,089</u>	<u>\$ 33,070,904</u>	<u>\$ 34,368,049</u>	<u>\$ (1,297,145)</u>

Long-term Obligations

At June 30, 2014, the District's governmental activities had long-term liabilities totaling \$28,663,233. The District issued general obligation bonds in 2007 in the amount of \$27,500,000 for the construction of the middle school facility and a permanent improvement levy tax anticipation note (TAN) in the amount of \$1,250,000 for the Crim Elementary addition/renovation project in 2012. Outstanding general obligation bonds amount to \$24,735,000 with \$450,000 due within one year, and unamortized bond

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

premium of \$1,087,642. The outstanding TAN balance is \$625,000 with \$312,500 due within one year. The remaining long-term obligations consist of probable payments for compensated absences in the amount of \$2,215,590. These probable payments have decreased \$109,192 since June 30, 2013 owing to a change in the terms of severance pay-out to employees.

Under current state statutes, the District's debt issues are subject to a legal limitation of 9% of the total assessed value of real and personal property. At June 30, 2014, the District's outstanding debt was within the legal limit.

ECONOMIC FACTORS

While economists have opined that the recession in this country is over, and we have seen evidence of that with the increase in school district income tax revenues, growth in property tax revenues will lag because property revaluations are performed every six years with an update every three years. Wood County's last reappraisal was in 2011 with a triennial update scheduled for 2014. Property tax revenue is affected by foreclosures and appeals for reduced property values. Multiple property owners in the District with high value property have filed appeals and have been granted reductions in property values. This results in lower property tax collections for the District. Interest rates dropped to near zero and still hover there resulting in little funding from interest revenues. As mentioned school district income tax revenues did increase again this year rising 5.3% or \$163,449 from fiscal year 2013 to fiscal year 2014; the fourth year in a row.

Significant changes were implemented in the tax structure by the Ohio General Assembly beginning in fiscal year 2006. Effective January 1, 2006, HB 66 phased out tangible personal property tax over a four year period with 2009 being the final year. These taxes had comprised approximately 10% of the District's revenues. HB 66 provided for "hold harmless" payments to replace these revenues through 2010 at which time these payments were scheduled to be phased out. HB 1 passed in 2009 retained the full amount of these payments through 2013 although the "hold harmless" payments would be in declining amounts to reflect the phase-out of the inventory portion of tangible personal property that was already in law prior to the passage of HB 66. HB 153, the State's biennial budget for fiscal year 2012 and 2013 reduced the "hold harmless" payments up to 2% of the District's total revenues for each of the two years. The current biennial budget for 2014 and 2015 sustained the amount from 2013.

State foundation funding had remained flat for years for Bowling Green City School District. Assessed local property values factor into this funding. Because property values in the District had increased over the years, the foundation formula assumed that property taxes also increased thereby reducing the District's need for state funding. However, as discussed in the Financial Analysis section of this narrative, property taxes do not actually grow with increased property values. Prior to 2006, the District had been on the "fiscal year 1998 guarantee" for state foundation funding. This meant the District had been guaranteed to receive the same amount of funding as it did seven years prior even though, based upon property values, state funding should be significantly less than received in fiscal year 1998. With the passage of the budget bills for fiscal years 2006 through 2009, the District went on the Transitional Aid Guarantee, which essentially equated to the "fiscal year 1998 guarantee" because the Transitional Aid Guarantee ensured that the District would receive what it did in fiscal year 2005 – which was the same that it did in fiscal year 1998. A portion of this foundation funding was replaced with State Fiscal Stabilization Funds (SFSF) from the American Recovery and Reinvestment Act in fiscal years 2010 and 2011. When those SFSF funds were gone, the foundation funding was not reinstated to pre-2010 levels. The State of Ohio did not have a funding formula in place for public schools during the 2012-2013 biennium. Instead, a "bridge" formula was a transitional approach being used for school districts. The details of this approach are described on the Ohio Department of Education's website on the

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Finance/State Funding for Schools page. Finally, in 2014 a new funding formula was developed and Bowling Green City Schools actually saw an increase that brought our state foundation funding back up to 1998 level. We expect an additional increase in fiscal year 2015.

As a result of these unstable funding sources, the District is continually forced to seek additional taxes from its citizens to compensate for declining revenue. The District had two tax levies on the ballot during fiscal year 2013 which were soundly defeated. Consequently, it was necessary to take steps to compensate for the lack of additional funding. In response, all employees accepted a total pay freeze for fiscal year 2014 as well as increased share of health insurance premiums of up to 15%. Teaching staff gave up vision coverage benefits altogether and agreed to a salary schedule for the future with fewer possibilities for advancement from educational growth. All employees also agreed to reductions in severance benefits. Employees agreed to a new salary/wage package for fiscal years 2015, 2016 and 2017 whereby employees will receive a flat 2.25% increase each year rather than following a salary schedule with steps and columns. The District implemented other budget cuts where feasible and purchases of equipment, such as busses, were delayed to conserve funds. However, we can no longer put off purchasing busses and did, in fact, purchase two new busses in fiscal year 2014 with an additional three scheduled for purchase in fiscal year 2015. These and other changes allow the District to delay a return to the voters for new tax levies.

Several court decisions have been issued as a result of the school funding cases filed against the State. The Supreme Court relinquished jurisdiction over the case in late 2002 and directed the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient. It is unknown what effect, if any, this decision will have on future funding the District receives from the State. However, as described earlier in this presentation, this District relies heavily upon local funding.

The Board of Education and the Administration of the Bowling Green City School District have committed themselves to providing a sound educational program for the citizens of the District while maintaining fiscal integrity. Accordingly, facilities, programs and operational practices have been and will continue to be under constant review to determine what, if any, changes are needed. Of note, since fiscal year 2005, the District had closed three of its six elementary buildings as of June 30, 2013. In conjunction with these closures, the number of staff members has been reduced.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Inquiries about this report may be directed to Rhonda Melchi, Treasurer, Bowling Green City School District, 137 Clough Street, Bowling Green, Ohio 43402.

Bowling Green City School District, Wood County
Statement of Net Position
As of June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 6,651,461	\$ 381,001	\$ 7,032,462
Cash in segregated accounts	4,000	-	4,000
Investments	2,320,063	-	2,320,063
Receivables			
Property taxes - current	18,656,946	-	18,656,946
Property taxes - delinquent	212,612	-	212,612
School district income tax	1,169,154	-	1,169,154
Accounts	3,709	2,100	5,809
Accrued interest	5,637	-	5,637
Intergovernmental	81,754	-	81,754
Materials & supplies inventory	68,090	26,323	94,413
Prepaid items	131,630	1,481	133,111
Nondepreciable capital assets	278,664	-	278,664
Depreciable capital assets, net	<u>32,701,836</u>	<u>90,404</u>	<u>32,792,240</u>
Total assets	<u><u>62,285,556</u></u>	<u><u>501,309</u></u>	<u><u>62,786,865</u></u>
Liabilities			
Accounts payable	209,149	368	209,517
Accrued wages and benefits	1,708,453	30,887	1,739,340
Intergovernmental payables	170,696	44,364	215,060
Accrued interest payable	100,270	-	100,270
Long-term liabilities			
Due within one year	1,157,118	-	1,157,118
Due in more than one year	<u>27,506,115</u>	<u>71,319</u>	<u>27,577,434</u>
Total liabilities	<u><u>30,851,801</u></u>	<u><u>146,938</u></u>	<u><u>30,998,739</u></u>
Deferred inflow of resources:			
Property taxes levied for the next fiscal year	13,858,713	-	13,858,713
Accrued interest not available	5,830	-	5,830
Intergovernmental revenue received for the next fiscal year	<u>27,353</u>	<u>-</u>	<u>27,353</u>
Total deferred inflows of resources	<u><u>13,891,896</u></u>	<u><u>-</u></u>	<u><u>13,891,896</u></u>
Net position			
Net investment in capital assets	6,532,857	90,404	6,623,261
Restricted for:			
Debt service	856,970	-	856,970
Capital projects	774,489	-	774,489
Other purposes	545,855	-	545,855
Unrestricted/undesignated	<u>8,831,688</u>	<u>263,967</u>	<u>9,095,655</u>
Total net position	<u><u>\$ 17,541,859</u></u>	<u><u>\$ 354,371</u></u>	<u><u>\$ 17,896,230</u></u>

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
Instruction	\$ 20,068,217	\$ 476,391	\$ 2,029,484	\$ (17,562,342)	\$ -	\$ (17,562,342)
Support services	10,331,251	174,294	237,363	(9,919,594)	-	(9,919,594)
Non-instructional	556,575	-	371,672	(184,903)	-	(184,903)
Extracurricular activities	806,033	298,385	-	(507,648)	-	(507,648)
Interest and fiscal charges	1,159,343	-	-	(1,159,343)	-	(1,159,343)
Miscellaneous	749	-	-	(749)	-	(749)
Total governmental activities	32,922,168	949,070	2,638,519	(29,334,579)	-	(29,334,579)
Business-type activities						
Food service	1,092,188	492,148	631,219	-	31,179	31,179
Performing Arts Center operations	46,068	9,185	-	-	(36,883)	(36,883)
Total business-type activities	1,138,256	501,333	631,219	-	(5,704)	(5,704)
Totals	34,060,424	1,450,403	3,269,738	(29,334,579)	(5,704)	(29,340,283)
General Revenues						
Property taxes levied for:						
General purposes				16,718,685	-	16,718,685
Debt service				1,493,092	-	1,493,092
Capital outlay				452,996	-	452,996
Income taxes levied for general purposes				3,224,336	-	3,224,336
Grants & entitlements not restricted to specific programs				10,219,714	-	10,219,714
Payment in lieu of taxes				15,265	-	15,265
Investment earnings				19,643	364	20,007
Miscellaneous				31,965	278	32,243
Total general revenues				32,175,696	642	32,176,338
Transfers				(40,000)	40,000	-
Change in net position				2,801,117	34,938	2,836,055
Net position beginning of year				14,740,742	319,433	15,060,175
Net position end of year				\$ 17,541,859	\$ 354,371	\$ 17,896,230

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Balance Sheet
Governmental Funds
As of June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 5,180,462	\$ 1,470,999	\$ 6,651,461
Cash in segregated accounts	4,000	-	4,000
Investments	2,232,843	87,220	2,320,063
Receivables:			
Property taxes	16,864,793	2,004,765	18,869,558
School district income taxes	1,169,154	-	1,169,154
Accounts	3,709	-	3,709
Intergovernmental	47,935	33,819	81,754
Accrued interest	5,450	187	5,637
Interfund receivable	25,000	-	25,000
Materials and supplies inventory	68,090	-	68,090
Prepaid items	131,254	376	131,630
Total assets	\$ 25,732,690	\$ 3,597,366	\$ 29,330,056
Liabilities:			
Accounts payable	\$ 170,000	\$ 39,149	\$ 209,149
Accrued wages and benefits	1,667,338	41,115	1,708,453
Compensated absences payable	121,087	-	121,087
Interfund payables	-	25,000	25,000
Intergovernmental payable	140,193	30,503	170,696
Total liabilities	2,098,618	135,767	2,234,385
Deferred inflows of resources:			
Property taxes levied for next fiscal year	12,293,841	1,564,872	13,858,713
Delinquent property tax revenue not available	189,653	22,959	212,612
Accrued interest not available	5,830	-	5,830
Intergovernmental revenue received for next fiscal year	-	27,353	27,353
Total deferred inflows of resources	12,489,324	1,615,184	14,104,508
Fund balances:			
Nonspendable	199,344	64,228	263,572
Restricted	-	1,813,314	1,813,314
Committed	536,959	2,175	539,134
Assigned	1,799,112	-	1,799,112
Unassigned	8,609,333	(33,302)	8,576,031
Total fund balances	11,144,748	1,846,415	12,991,163
Total liabilities, deferred inflows of resources and fund balances	\$ 25,732,690	\$ 3,597,366	\$ 29,330,056

The notes to the financial statements are an integral part of this statement.

***Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
As of June 30, 2014***

Total Governmental Fund Balances	\$ 12,991,163
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Delinquent property taxes are not available to pay for current period expenditures, and are, therefore, deferred in the funds	212,612
Capital assets used in governmental activities are not resources and therefore are not reported in the funds	32,980,500
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(28,642,416)</u>
Net Position of Governmental Activities	<u><u>\$ 17,541,859</u></u>

Bowling Green City School District, Wood County
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 16,789,925	\$ 1,946,088	\$ 18,736,013
School district income taxes	3,224,336	-	3,224,336
Tuition and fees	591,008	-	591,008
Intergovernmental	10,796,416	2,061,817	12,858,233
Interest	17,945	1,698	19,643
Extracurricular activities	35,503	204,627	240,130
Gifts and donations	-	9,471	9,471
Charges for services	8,240	-	8,240
Miscellaneous	79,083	39,059	118,142
Total Revenues	31,542,456	4,262,760	35,805,216
Expenditures:			
Current:			
Instruction	17,881,965	1,223,880	19,105,845
Support services	9,579,118	262,857	9,841,975
Non-instructional services	138,328	375,791	514,119
Extracurricular activities	551,596	245,724	797,320
Capital outlay	-	353,311	353,311
Debt service			
Principal	-	717,500	717,500
Interest	-	1,214,231	1,214,231
Total expenditures	28,151,007	4,393,294	32,544,301
Excess (deficiency) of revenues over expenditures	3,391,449	(130,534)	3,260,915
Other financing sources (uses)			
Operating transfers (out)	(40,000)	-	(40,000)
Proceeds from sale of capital assets	5,788	20,103	25,891
Other financing sources	16,264	89	16,353
Other financing (uses)	(292)	(456)	(748)
Total other financing sources (uses)	(18,240)	19,736	1,496
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	3,373,209	(110,798)	3,262,411
Fund balance July 1	7,771,539	1,957,213	9,728,752
Fund balance June 30	\$ 11,144,748	\$ 1,846,415	\$ 12,991,163

The notes to the financial statements are an integral part of this statement.

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

Net Change in Fund Balances - Total Governmental Funds \$ 3,262,411

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

Certain property taxes reported on the statement of activities do not provide current financial resources so are not reported as revenue in governmental funds (71,240)

The net effect of various miscellaneous transactions involving capital assets (i.e., purchases, sales, disposals, trade-ins, and donations) is to increase net position. (1,300,860)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not result in an expense in the statement of activities. 717,500

Some expenses reported in the statement of activities, such as compensated absences payable and amortization of bond premiums, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 193,906

Change in Net Position of Governmental Activities \$ 2,801,717

Bowling Green City School District, Wood County
Statement of Net Position
Proprietary Funds
As of June 30, 2014

	Business-Type Activities - Enterprise Funds
Assets:	
Cash and cash equivalents	\$ 381,001
Receivables (net of allowances for uncollectibles)	
Accounts	2,100
Materials and supplies inventory	26,323
Prepaid items	1,481
Total current assets	410,905
Capital assets, net	90,404
Total assets	501,309
Liabilities:	
Accounts payable	368
Accrued wages and benefits	30,887
Intergovernmental payable	44,364
Compensated absences payable	71,319
Total liabilities	146,938
Net position	
Invested in capital assets	90,404
Unrestricted	263,967
Total net position	\$ 354,371

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Business-Type Activities- Enterprise Fund</u>
Operating revenues:	
Sales	\$ 492,148
Other operating revenues	9,463
Total operating revenues	<u>501,611</u>
Operating expenses:	
Salaries and wages	402,351
Fringe benefits	172,308
Purchased services	17,377
Materials and supplies	416,564
Cost of sales	105,477
Depreciation	13,258
Other operating expenses	7,246
Total operating expenses	<u>1,134,581</u>
Operating income (loss)	(632,970)
Nonoperating revenues (expenses):	
Interest revenue	364
Federal and state subsidies	525,742
Federal donated commodities	105,477
Other nonoperating expense	(1,262)
Gain on sale of capital assets	(2,413)
Total nonoperating revenues (expenses)	<u>627,908</u>
Change in net position before transfers	(5,062)
Operating transfers-in	<u>40,000</u>
Change in net position	34,938
Net position at July 1	<u>319,433</u>
Net position at June 30	<u><u>\$ 354,371</u></u>

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities- Enterprise Funds
Cash flows from operating activities:	
Cash received from sales	\$ 492,148
Cash received from other revenues	9,563
Cash payments for employee services	(401,169)
Cash payments for employee benefits	(181,868)
Cash payments for contract services	(17,526)
Cash payments for supplies and materials	(410,799)
Cash payments for other expenses	(6,176)
Net cash provided by (used for) operating activities	(515,827)
Cash flows from noncapital financing activities:	
Federal and state subsidies	525,742
Operating transfers in	40,000
Other non-operating income	1,320
Other non-operating expense	(1,262)
Net cash provided by noncapital financing activities	565,800
Cash flows from investing activities:	
Interest on investments	364
Net cash provided by investing activities	364
Cash flows from capital and related financing activities:	
Acquisition/Disposition of capital assets	(19,986)
Net cash used for capital and related financing activities	(19,986)
Net increase (decrease) in cash and cash equivalents	30,351
Cash and cash equivalents at beginning of year	350,650
Cash and cash equivalents at end of year	\$ 381,001
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (632,970)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Depreciation	13,258
Other adjustments to non-operating income	
Other adjustments to non-operating income	105,477
Changes in assets and liabilities:	
Materials and Supplies inventory	5,437
Receivables	100
Prepayments	1,070
Accounts payable	179
Accrued wages and benefits	(8,138)
Compensated absences payable	31
Intergovernmental payable	(271)
Net cash provided by (used for) operating activities	\$ (515,827)

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Net Position
Fiduciary Fund
As of June 30, 2014

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ 85,979
Total assets	<u>85,979</u>
Liabilities:	
Due to students	80,958
Other current liabilities	5,021
Total liabilities	<u>85,979</u>
Net position	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 1- DESCRIPTION OF THE SCHOOL DISTRICT

Bowling Green City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.02, Ohio Revised Code. The District operates under an elected five member Board of Education and is responsible for provision of public education to residents of the District. The District is located in Wood County in northwest Ohio. Its boundaries include all of the City of Bowling Green and portions of surrounding townships.

The District serves 3,132 students and encompasses an area of approximately one hundred fifty square miles. The District regularly employs 215 licensed/certificated employees and 107 non-certificated/licensed employees. In addition, the District employed substitute employees to cover the duties of absent bus drivers while contracting with an employment service for all other substitute employees and certain paraprofessionals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (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 District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity as amended by GASB Statement No. 39 determining whether certain organizations are component units and GASB Statement No. 61 The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34. The financial statements of the reporting entity include those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organization:

Penta Career Center: an Ohio Vocational School District

The Penta Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District. One member of the Bowling Green City Board of Education serves as a member of the Penta Career Center Board of Education.

The District also participates in two insurance group purchasing pools, described in Note 10.

Non-public Schools

Non-public schools located within the District boundaries include: St. Aloysius and St. Louis Elementary Schools, the Montessori School of Bowling Green, Bowling Green Christian Academy and Plan, Do and Talk Primary. These non-public schools are operated independently of the District. The District receives and disburses auxiliary services

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. The Reporting Entity (Continued)

money from the State for support of these non-public schools as directed by these non-public schools. The receipt and expenditure of these auxiliary services monies are accounted for by the District and are reflected in a Special Revenue Fund for financial reporting purposes, but the non-public schools' operations are not reflected in the accompanying financial statements.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following is the District's major Governmental Fund:

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

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

PROPRIETARY FUNDS

Proprietary Funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the Proprietary Funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net position. The following are the District's Proprietary Funds:

Enterprise Funds – The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's enterprise funds account for its food service operation and its Performing Arts Center operations.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The District's only Fiduciary Funds are Agency Funds that are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District's Agency Funds account for student activities and other similar activities.

C. Basis of Presentation and Measurement Focus – Financial Statements

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which Governmental Fund financial statements are prepared. Governmental Fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds.

The government-wide statement of activities presents direct expenses and program revenues for each segment of the business-type activities of the District and 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 grants 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 business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of Governmental and Enterprise Fund financial statements is on major funds rather than reporting funds by type. The major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Enterprise funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a flow of current financial resources measurement focus. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities plus deferred inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus-- Financial Statements (Continued)

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's enterprise funds are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets, liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by the Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined while "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after the June 30 year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, student fees, property taxes available as an advance and income taxes.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The District reports deferred inflows of resources on its balance sheet. Deferred inflows of resources arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, have been recorded as deferred inflows of resources.

On the governmental fund financial statements, receivables that will not be collected within the available period, including accrued interest and delinquent property taxes due at June 30, 2014, have also been reported as deferred inflow of resources.

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

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, Proprietary Funds and the Fiduciary Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when 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.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. Grants received before eligibility requirements are met are recorded as deferred inflows on the governmental fund financial statements. The Proprietary Funds receive no revenue from property taxes.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except agency) while GASB requires only the general and any major special revenue funds to be reported in the supplementary schedules presenting budgetary information. The specific timetable for fiscal year 2014 is as follows:

1. Pursuant to Section 5705.281, ORC, the Wood County Budget Commission has waived the requirement for school districts to adopt a tax budget. In place of the tax budget, the District must submit an estimate of revenues for the fiscal year commencing the following July 1 for all funds by no later than January 20 of the preceding fiscal year.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must prepare a budget in which total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. This budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. 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 in the budgetary schedule reflect the amounts set forth in the Amended Official Certificate of Estimated Resources and the final Amended Certificate issued for fiscal year 2014.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets (Continued)

3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. While the District uses an expenditure account coding system consisting of a minimum of fund number, a four digit function, and a three digit object, the Board adopted appropriation is at the fund and first digit of function level of expenditures for the General Fund and at the fund level for all other district funds. These are considered the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations 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.
4. Any revisions that alter the total of any fund appropriation or alter first digit function appropriations within the General Fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2014.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, first digit function level for the General fund and the fund level for all other funds.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Funds, encumbrances outstanding at year-end appear as a commitment or assignment of the fund balance on the balance sheet and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance.

F. Cash and Investments

Cash received by the District is deposited in a central bank account with individual fund balance integrity maintained. Monies for all funds are maintained in this account or temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired by the District) which are stated at cost. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings are credited to the General Fund except those specified according to Board Resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest revenue credited to the General fund during fiscal year 2014 amounted to \$17,945 while interest in the amount of \$2,062 was credited to other District funds.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2014.

For purposes of presentation in the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time of purchase by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

Inventories for all Governmental Funds are valued at cost (first-in/first out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance classification of nonspendable which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary Funds are valued at the lower of cost (first-in/first-out method) or fair value and expensed when used rather than when purchased.

H. Prepaids

Prepayments for Governmental Funds represent cash disbursements that have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period-end, because prepayment is not available to finance future Governmental Fund expenditures, an amount equal to the carrying value of the asset is classified as nonspendable in the fund balance.

I. Capital Assets and Depreciation

Property, Plant and Equipment – Governmental Activities

Capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the Governmental Funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$3,000 and a useful life of less than five years.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

Donated capital assets are recorded at fair value at the date received. The District does not possess any infrastructure. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by an appraisal company who specializes in this area.

Depreciation

All capital assets, except for land, are depreciated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings and Improvements	20-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	5-10

J. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences is attributable to services already rendered and is not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

For Governmental Funds, that portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable" on the balance sheet. In the Government-wide statement of net position, the "Compensated Absences Payable" is recorded in the "Due within one year" liability account with the long-term portion of accumulated absences recorded in the "Due in more than one year" liability account.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of Governmental Funds. In the Government-wide statement of net position, the current portion of general obligation bonds and notes are recorded in the "Due within one year" liability account with the long-term portion of these general obligation bonds and notes recorded in the "Due in more than one year" liability account.

M. Fund Balance

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Position

Net position represents the difference between assets and liabilities plus 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for public school support, district managed activities and auxiliary services.

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

O. Interfund Transactions

During the course of normal operations, transactions occur between funds. The most significant include:

1. Routine transfers of resources from one fund to another through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as an expenditure/expense in the reimbursing fund and a reduction of expenditure/ expense in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

Interfund operating transfers and loans are eliminated on the Government-wide statements.

P. Estimates

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

Q. Unamortized Bond Premiums

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The Governmental Funds balance sheet includes a reconciliation between fund balance – total Governmental Funds and Net Position of Governmental Funds as reported in the government-wide statement of net position. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Long-term liabilities not reported in the funds:

Accrued Note Interest	\$ (1,302)
Accrued Bond Interest	(98,968)
Notes Payable	(625,000)
Bonds Payable	(24,735,000)
Plus: issuance premium (to be amortized as interest expense)	(1,087,642)
Compensated absences	<u>(2,094,504)</u>
	<u>\$ (28,642,416)</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The Governmental Fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total Governmental Funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amounts by which asset disposals and depreciation exceeded capital outlay in the current period:

Capital Outlay	\$ (113,170)
Depreciation expense	<u>(1,188,290)</u>
	<u>\$ (1,301,460)</u>

The details of expenses that do not require the use of current financial resources:

Compensated absences	\$139,018
Accrued interest	1,832
Amortization of bond premium	<u>53,056</u>
	<u>\$193,906</u>

NOTE 4 – EQUITY IN POOLED CASH AND INVESTMENTS

State statutes require the classification of monies held by the District into three categories:

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution.

Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the District has not purchased these types of investments or issued these types of notes.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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.

Cash on Hand At year-end the District had \$1,133 in undeposited cash on hand which is included on the balance sheet of the District as part of “cash and cash equivalents”.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, “Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)”.

Cash in Segregated Accounts: At June 30, 2014, the District had \$4,000 in athletic checking accounts which is included in the total “Deposits” in the next paragraph.

Deposits: At June 30, 2014, the carrying amount of the District’s deposits was \$9,284,963 and the bank balance was \$9,794,383. Of the entire bank balance, \$4,900,165 was covered by federal depository insurance while \$4,894,218 was exposed to custodial credit risk as described in GASB Statement No. 40 further discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. State statutes require deposits to be collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

Investments:

As of June 30, 2014, the District had the following investments and maturities:

	Maturities	<u>Fair Value</u>
STAR Ohio	<u>6 months or less</u> \$ 156,408	\$ 156,408

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and in accordance with the Ohio Revised Code, the District’s investment policy limits investment maturities to five years or less. Commercial paper must mature within 180 days.

Credit Risk: The District’s investment policy limits investments to securities specifically authorized by the Ohio Revised Code. As of June 30, 2014, the District’s investments consisted of STAR Ohio (the State investment pool) which was rated AAAM by Standard & Poor’s. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk; however, the District minimizes custodial credit risk by utilizing multiple safekeeping agents for its book-entry securities.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer, although Ohio law sets limits on investments in commercial paper. One hundred percent of the investments held at June 30, 2014, were in the State investment pool.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Reconciliation of Cash and Investments to the Statement of Net Position: The following is a reconciliation between cash and investments as reported in the preceding paragraphs to that reported on in the statements of net position:

Cash and Investments per footnote:	
Cash on hand	\$ 1,133
Carrying amount of deposits	9,284,963
Investments	156,408
Total	\$9,442,504
Cash and Investments per Statements of Net Position:	
Government Wide	\$9,356,525
Fiduciary Funds	85,979
	\$9,442,504

NOTE 5 – TAXES

A. Property Tax

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed at 50% of market and railroads which are assessed at 29%.

In 2005, the General Assembly of the State of Ohio passed the State Biennial Budget Bill (HB 66) that phased-out Tangible Personal Property Tax over a four-year period. Based upon 2004 personal property values, “hold harmless” payments were to be made by the State to replace this revenue source for school districts through fiscal year 2010 at which time these payments would also be phased out. The State Biennial Budget Bill (HB 1) passed in 2009 extended the full reimbursement through fiscal year 2013, however, the State Biennial Budget Bill (HB 153) passed in 2011 reduced this reimbursement by 2% of total District revenues for each of the two years of the budget. The District received “hold harmless” payments in fiscal year 2012 in the amount of \$2,230,899, a reduction of \$572,990 from fiscal year 2011 payments, and received \$1,652,492 in fiscal year 2013, a further reduction of \$578,407. There were no further reductions for fiscal year 2014.

The total assessed value upon which the 2014 taxes were collected was \$584,687,290. Agricultural/Residential, public utility and mineral real estate represented 66.5% or \$388,471,820 of this total; Commercial & Industrial real estate represented 32.4% or \$189,582,140; and public utility tangible 1.1% or \$6,633,330. Tax exempt property in the District totaled \$268,740,470. The voted general tax rate for operations at the fiscal year ended June 30, 2014, was \$49.90 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$2.90 per \$1,000.00 of assessed valuation; and the voted rate for permanent improvements was \$1.20 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 5 – TAXES (Continued)

The Wood County Treasurer collects property tax on behalf of the District. The Wood County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable, in accordance with GASB 33, as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred inflows of resources.

B. School District Income Tax

The District levies an income tax of 0.5% on the gross salaries, wages and other personal service compensation earned by residents of the School District. All the revenue received from income tax is recorded directly into the General Fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2014, consisted of taxes, accounts (charges for services and fees), accrued interest, intergovernmental receivables and interfund receivables (discussed in Note 7). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of the specific State programs.

NOTE 7 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2014, consisted of \$40,000 from the General Fund to the Performing Arts Center Operations Fund and \$300,000 from the General Fund to the Severance Benefits Fund. The transfer to the Severance Benefits Fund has been eliminated on the financial statements due to the GASB 54 reclassification of that fund as part of the General Fund. The transfers were accounted for in accordance with budgetary authorizations and with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Interfund Receivable Fund</u>	<u>Interfund Payable Fund</u>	<u>Amount</u>
General Fund	District Managed Student Activities	\$ 25,000

The outstanding balance is the result of an interfund loan to cover expenditures incurred for athletic purposes since revenues fell short of need. These funds are intended to be repaid in the next fiscal year.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 8 - CAPITAL ASSETS

The following is a summary by category of changes in governmental activities capital assets at June 30, 2014:

<i>Historical Cost:</i>				
<u>Asset Category</u>	Balance at <u>7/1/13</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/14</u>
<i>Nondepreciable:</i>				
Land	\$ 279,264	\$ -	\$ 600	\$ 278,664
Construction in Progress	-	-	-	-
	<u>\$ 279,264</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 278,664</u>
<i>Depreciable:</i>				
Buildings & Improvements	44,797,489	37,652	183,516	44,651,625
Furniture/Equipment	4,191,458	9,462	85,839	4,115,081
Vehicles	2,042,292	168,606	58,935	2,151,963
Total Depreciable Assets	<u>51,031,239</u>	<u>215,720</u>	<u>328,290</u>	<u>50,918,669</u>
Total General Capital Assets	<u>\$ 51,310,503</u>	<u>\$ 215,720</u>	<u>\$ 328,890</u>	<u>\$ 51,197,333</u>
<i>Accumulated Depreciation:</i>				
<u>Asset Category</u>	Balance at <u>7/1/13</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/14</u>
Buildings & Improvements	12,954,993	1,134,953	169,797	13,920,149
Furniture/Equipment	2,620,619	288,175	85,482	2,823,312
Vehicles	1,452,931	75,616	55,175	1,473,372
Total Accumulated Depreciation	<u>17,028,543</u>	<u>1,498,744</u> *	<u>310,454</u>	<u>18,216,833</u>
<i>Net Capital Assets:</i>	<u>\$ 34,281,960</u>	<u>\$ (1,283,024)</u>	<u>\$ 18,436</u>	<u>\$ 32,980,500</u>

* Depreciation expenses were charged to governmental functions as follow:

Instruction	\$ 1,075,383
Support Services	367,353
Noninstructional Activities	16,002
Extracurricular Activities	40,006
Total Depreciation Expense	<u>\$ 1,498,744</u>

A summary of the proprietary capital assets at June 30, 2014, follows:

<i>Depreciable:</i>	Balance at <u>7/1/13</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/14</u>
Furniture/Equipment	\$ 335,798	\$ 19,986	\$ 46,530	\$ 309,254
Vehicles	20,102	-	-	20,102
Total Depreciable Assets	<u>\$ 355,900</u>	<u>\$ 19,986</u>	<u>\$ 46,530</u>	<u>\$ 329,356</u>
<i>Accumulated Depreciation:</i>				
Furniture/Equipment	(267,030)	(10,477)	44,117	(233,390)
Vehicles	(2,781)	(2,781)	-	(5,562)
Total Accumulated Depreciation	<u>(269,811)</u>	<u>(13,258)</u>	<u>44,117</u>	<u>(238,952)</u>
Net Capital Assets:	<u>\$ 86,089</u>	<u>\$ 6,728</u>	<u>\$ 2,413</u>	<u>\$ 90,404</u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 9 - LONG-TERM OBLIGATIONS

All current notes and bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment.

A. . The following is a description of the Bowling Green City School District notes outstanding as of June 30, 2014:

	Interest Rate	Issue Date	Maturity Date	Notes Outstanding At 7/1/13	New Issues During 2014	Retired In 2014	Notes Outstanding At 6/30/14	Due Within 1 Year
2012 Permanent Improvement Levy Tax Anticipation Note	2.5%	2/15/12	12/1/2015	\$937,500	\$ -0-	\$ 312,500	\$ 625,000	\$ 312,500

B. The following is a summary of the District's future annual debt service requirements to maturity for tax anticipation notes:

Year Ending <u>June 30</u>	Principal on <u>TAN</u>	Interest on <u>TAN</u>	<u>Total</u>
2015	312,500	11,719	324,219
2016	312,500	3,906	316,406
Total	<u>\$625,000</u>	<u>\$ 15,625</u>	<u>\$640,625</u>

C. The following is a description of the Bowling Green City School District bonds outstanding as of June 30, 2014:

	Interest Rate	Issue Date	Maturity Date	Bonds Outstanding At 7/1/13	New Issues During 2014	Retired In 2014	Bonds Outstanding At 6/30/14	Due Within 1 Year
2007 School Facilities Construction and Improvement	3.5- 5.0%	3/22/2007	12/1/2034	\$25,140,000	\$-0-	\$405,000	\$24,735,000	\$ 450,000

D. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Year Ending <u>June 30</u>	Principal on <u>General Obligation</u>	Interest on <u>General Obligation</u>	<u>Total</u>
2015	450,000	1,179,175	1,629,175
2016	495,000	1,161,456	1,656,456
2017	540,000	1,142,050	1,682,050
2018	590,000	1,120,125	1,710,125
2019	650,000	1,092,075	1,742,075
2020-2024	4,265,000	4,883,000	9,148,000
2025-2029	6,400,000	3,561,625	9,961,625
2030-2034	9,120,000	1,732,163	10,852,163
2035	<u>2,225,000</u>	<u>55,625</u>	<u>2,280,625</u>
Total	<u>\$24,735,000</u>	<u>\$ 15,927,294</u>	<u>\$40,662,294</u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

E. During the year ended June 30, 2014 the following changes occurred in Governmental Activities long-term liabilities:

<i>Governmental Activities:</i>					
	Balance at <u>7/1/13</u>	Increase	Decrease	Balance at <u>6/30/14</u>	Due Within <u>1 Year</u>
Compensated Absences:					
Sick leave (severance)	\$ 2,106,739	\$ 129,736	\$ 241,359	\$ 1,995,116	\$ 121,087
Vacation	218,043	188,680	186,248	220,475	220,475
Tax Anticipation Notes	937,500	-	312,500	625,000	312,500
General Obligation Bonds	25,140,000	-	405,000	24,735,000	450,000
Unamortized Bond Premium	<u>1,140,698</u>	<u>-</u>	<u>53,056</u>	<u>1,087,642</u>	<u>53,056</u>
Total	<u>\$29,542,980</u>	<u>\$ 318,416</u>	<u>\$1,198,163</u>	<u>\$28,663,233</u>	<u>\$1,157,118</u>
<i>Business-type Activities:</i>					
Compensated Absences:					
Sick leave (severance)	\$ 71,288	\$ 674	\$ 1,370	\$ 70,592	\$ -
Vacation	<u>-</u>	<u>1,454</u>	<u>727</u>	<u>727</u>	<u>-</u>
Total	<u>\$ 71,288</u>	<u>\$ 2,128</u>	<u>\$ 2,097</u>	<u>\$ 71,319</u>	<u>\$ -</u>

The District has established a Severance Benefits Fund, as permitted by H.B. 426, to liquidate accumulated sick leave upon retirement of employees while sick leave and vacation benefits enjoyed by active employees are paid by the fund from which the employee is normally paid, in most cases the General Fund.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, general liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents have a liability limit of \$107,859,941 with 100% co-insurance. The District's fleet insurance policy has a liability limit of \$1,000,000 each occurrence. The District has liability insurance coverage limits of \$4,000,000 each occurrence and \$6,000,000 annual aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last year.

Wood County Schools Health Insurance Consortium

The Wood County Schools Health Insurance Consortium (the Consortium) is a public entity shared risk pool consisting of six local school districts, two city or exempted village school districts, one vocational school district, and an educational service center. The Consortium is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the Consortium.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information may be obtained from Sharon Gillespie, Medical Mutual of Ohio, 3737 Sylvania Avenue, Toledo, Ohio 43623.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 10 - RISK MANAGEMENT (Continued)

SWOEPC Worker's Compensation Group Rating

The District participates in the Southwest Ohio Educational Purchasing Council's Worker's Compensation Group Rating Plan, part of a shared services council of governments. This Group Rating Plan allows school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. Each year the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. The report is also posted on the SERS Ohio website www.ohsers.org under "Employers/Audit Resources".

Plan members are required to contribute 10 percent of their annual covered salary and Bowling Green City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers by the SERS' Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions to SERS for pension obligations and death benefits for the fiscal years ended June 30, 2014, 2013, and 2012 were \$454,968, \$470,903, and \$484,645, respectively. As of June 30, 2014, 44.11 percent has been contributed for fiscal year 2014 and one hundred percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members, and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.STRSoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations as of June 30, 2013 (the latest information available). Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,814,411, \$2,083,654, and \$1,990,401 respectively; 82.5 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

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 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute.

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$39,997, \$37,080, and \$50,842, respectively; 44.11 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$26,395, \$26,601, and \$28,621, respectively; 44.11 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013 (the latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$139,570, \$148,832, and \$153,108, , respectively; 82.50 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 13 - OTHER EMPLOYEE BENEFITS - DEFERRED COMPENSATION PLANS

The District employees may participate in the Ohio Public Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The plan Agreement states that the District and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

NOTE 14 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	511,461
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(555,658)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (44,197)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 15 - FUND BALANCES

As of June 30, 2014, fund balances are composed of the following:

	General	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>			
Inventory	\$ 68,090	\$ -	\$ 68,090
Prepaid items	131,254	376	131,630
Memorials Principal	-	63,852	63,852
<i>Restricted:</i>			
Federal Grants	-	3	3
Extracurricular activities	-	72,711	72,711
Buildings and Improvements	-	774,489	774,489
Debt Service	-	856,970	856,970
Instructional Enhancements	-	68,059	68,059
Non-Public Schools	-	41,082	41,082
<i>Committed:</i>			
Severance Benefits	536,959	-	536,959
Performing Arts Center Enhancements	-	2,175	2,175
<i>Assigned:</i>			
Future Appropriations	1,581,353	-	1,581,353
Public School Support	27,628	-	27,628
Student Instruction	56,032	-	56,032
Student and Staff Support	133,929	-	133,929
Extracurricular Activities	170	-	170
Unassigned	8,609,333	(33,302)	8,576,031
Total Funds Cash Balance	<u>\$ 11,144,748</u>	<u>\$ 1,846,415</u>	<u>\$ 12,991,163</u>

Restricted fund balances are constrained by externally imposed requirements by grantors, laws and regulations. Committed fund balances have been established by the Board of Education through resolution or contractual obligations. Board action would be necessary to reverse the purposes for which such funds have been committed. Assigned fund balances are intended to be used for the specified purposes as determined either by the fiscal officer as directed by Section 5705.41(D), Ohio Revised Code or other authoritative guidelines. The District considers all fund balances to be spent when an expenditure is incurred for purposes for which the balance is available or could be used.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

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

NOTE 16 - FUND BALANCE DEFICITS

Fund balances at June 30, 2014, included the following individual fund deficits:

<u>NonMajor Funds</u>	<u>GAAP Basis</u>
IDEA – Special Education, Part B	\$(29,750)
Title I – Targeted Assistance Grant Fund	(1,997)
ECSE-IDEA	(1,534)
Title II-A Grant Fund	(21)

These funds complied with Ohio requirements, which do not permit cash basis deficits at year-end unless a cash request has been submitted to the Ohio Department of Education prior to year-end. The GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30

NOTE 17 - OTHER COMMITMENTS

The District uses encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 320,054
Other Governmental	<u>506,858</u>
Total	<u>\$ 826,912</u>

NOTE 18 - CONTINGENCIES

A. Grants

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

B. Litigation

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Bowling Green City School District, Wood County
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget to Actual (Budgetary Basis) - General Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Revised Budget	Actual	Variance with Final Budget
Revenues:				
From local sources:				
Taxes	\$ 18,344,105	\$ 18,358,224	\$ 18,814,492	\$ 456,268
Intergovernmental	9,912,838	9,912,838	10,748,481	835,643
Interest	20,000	20,000	21,357	1,357
Tuition and fees	457,000	457,000	591,008	134,008
Extracurricular activities			15	15
Charges for services	-	-	7,648	7,648
Miscellaneous	63,000	63,000	62,132	(868)
Total revenues	<u>28,796,943</u>	<u>28,811,062</u>	<u>30,245,133</u>	<u>1,434,071</u>
Expenditures:				
Current:				
Instruction	19,250,814	19,250,814	18,345,052	905,762
Support services	11,111,825	11,111,825	9,906,991	1,204,834
Non-instructional services	163,000	163,000	138,328	24,672
Extracurricular activities	600,823	600,823	487,538	113,285
Total expenditures	<u>31,126,462</u>	<u>31,126,462</u>	<u>28,877,909</u>	<u>2,248,553</u>
Excess (deficiency) of revenues over (under) expenditures	(2,329,519)	(2,315,400)	1,367,224	3,682,624
Other financing sources (uses):				
Operating transfers in			-	-
Operating transfers (out)	(340,000)	(340,000)	(340,000)	-
Advances (out)	-	-	(25,000)	(25,000)
Proceeds from sale of capital assets	-	-	5,788	5,788
Refund of prior years expenditures	80,000	80,000	83,487	3,487
Refund of prior year receipts	(1,000)	(1,000)	(92)	908
Total other financing sources (uses)	<u>(261,000)</u>	<u>(261,000)</u>	<u>(275,817)</u>	<u>(14,817)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,590,519)	(2,576,400)	1,091,407	3,667,807
Fund balance, July 1	4,886,541	4,886,541	4,886,541	-
Prior year encumbrances appropriated	433,616	433,616	433,616	-
Fund balance, June 30	<u>\$ 2,729,638</u>	<u>\$ 2,743,757</u>	<u>\$ 6,411,564</u>	<u>\$ 3,667,807</u>

Note:

While reporting financial position and changes in financial position/fund balances 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 and disbursements. The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund are as follows:

<u>Net Change in Fund Balances</u>	<u>General Fund</u>
Budget Basis	\$ 1,091,407
Net adjustment for revenue accruals	1,176,477
Net adjustment for expenditure accruals	696,391
Adjustment for encumbrances	320,054
Reclassification of funds per GASB 54	88,880
GAAP Basis	<u>\$ 3,373,209</u>

SUPPLEMENTARY DATA

**BOWLING GREEN CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(D) (E) School Breakfast Program	10.553	2014	\$ 99,723	\$ 99,723
(D) (E) National School Lunch Program	10.555	2014	415,497	415,497
(C) (D) National School Lunch Program - Food Donation	10.555	2014	107,632	107,632
Total National School Lunch Program			<u>523,129</u>	<u>523,129</u>
Total Child Nutrition Grant Cluster			<u>622,852</u>	<u>622,852</u>
State Administrative Expenses for Child Nutrition	10.560	2013	-	3,073
Total U.S. Department of Agriculture			<u>622,852</u>	<u>625,925</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant:				
Title I Grants to Local Educational Agencies	84.010	2013	55,532	71,788
Title I Grants to Local Educational Agencies	84.010	2014	582,248	551,005
Total Title I Grants to Local Educational Agencies			<u>637,780</u>	<u>622,793</u>
Special Education Grant Cluster:				
(F) Special Education_Grants to States	84.027	2013	-	15,947
(F) Special Education_Grants to States	84.027	2014	632,927	624,663
Total Special Education_Grants to States			<u>632,927</u>	<u>640,610</u>
(F) Special Education-Preschool Grants	84.173	2014	9,393	10,928
Total Special Education Grant Cluster			<u>642,320</u>	<u>651,538</u>
Improving Teacher Quality State Grants	84.367	2013	14,222	14,222
Improving Teacher Quality State Grants	84.367	2014	204,155	175,704
Total Improving Teach Quality State Grants			<u>218,377</u>	<u>189,926</u>
Total U.S. Department of Education			<u>1,498,477</u>	<u>1,464,257</u>
Total Federal Financial Assistance			<u>\$ 2,121,329</u>	<u>\$ 2,090,182</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2014.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the fair value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Accounting Standards***

Bowling Green City School District
Wood County
137 Clough Street
Bowling Green, Ohio 43402

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, its major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Bowling Green City School District's basic financial statements and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Bowling Green City School District

Compliance and Other Matters

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

Purpose of 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 Bowling Green City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Bowling Green City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
October 29, 2014



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to The
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Bowling Green City School District
Wood County
137 Clough Street
Bowling Green, Ohio 43402

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Bowling Green City School District's 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 Bowling Green City School District's major federal program for the fiscal year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Bowling Green City School District's major federal program.

Management's Responsibility

The Bowling Green City School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Board of Education
Bowling Green City School District

Report on Internal Control Over Compliance

The Bowling Green City School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Bowling Green City School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each 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 Bowling Green City School District's internal control over compliance.

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

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

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



Julian & Grube, Inc.
October 29, 2014

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

BOWLING GREEN CITY SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 16, 2014**