



Rea & associates *a brighter way*

East Liverpool City School District Columbiana County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2014



Dave Yost • Auditor of State

Board of Education
East Liverpool City School District
810 West 8th Street
East Liverpool, Ohio 43920

We have reviewed the *Independent Auditor's Report* of the East Liverpool City School District, Columbiana County, prepared by Rea & Associates, 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 East Liverpool 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

November 24, 2014

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EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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October 30, 2014

To the Board of Education
East Liverpool City School District
Columbiana County, Ohio
810 West 8th Street
East Liverpool, OH 43920

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District, Columbiana County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with 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 that *Management's Discussion and Analysis* on pages 5–15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *Schedule of Expenditures of Federal Awards – Cash Basis* (the "Schedule"), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

East Liverpool City School District
Columbiana County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position decreased \$992,602, which represents a 2.1% decrease from 2013.
- Capital assets decreased \$1,264,991 during fiscal year 2014.
- During the year, outstanding capital leases decreased from \$1,682,000 to \$1,400,000 due to principal payments made by the District.

Using this Annual Report

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 18. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

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

Proprietary Fund The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 23.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

East Liverpool City School District
Columbiana County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

The District as a Whole

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

Table 1
Net Position

	Governmental Activities	
	2014	2013
Assets		
Current and Other Assets	\$ 20,291,247	\$ 20,092,818
Capital Assets	44,465,959	45,730,950
<i>Total Assets</i>	64,757,206	65,823,768
Liabilities		
Other Liabilities	3,689,330	3,648,112
Long-Term Liabilities	10,580,734	10,879,843
<i>Total Liabilities</i>	14,270,064	14,527,955
Deferred Inflows of Resources	3,885,258	3,701,327
Net Position		
Net Investment in Capital Assets	36,066,719	37,257,643
Restricted	8,646,477	8,254,675
Unrestricted	1,888,688	2,082,168
<i>Total Net Position</i>	\$ 46,601,884	\$ 47,594,486

At year end, capital assets represented 69% of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and fixtures, vehicles and construction in progress. Net investment in capital assets was \$36,066,719 at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$8,646,477 or 19% represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$1,888,688 may be used to meet the government's ongoing obligations to students and creditors.

Current and other assets increased \$198,429, primarily due to an increase in sinking fund payments and revenue from reimbursement of pool disbursements from insurance claims resulting in more cash with fiscal agent offset by a decrease in grants receivable at fiscal year end.

Long-term liabilities decreased \$299,109, primarily due to lease payments and payment of early retirement incentives for 2014.

East Liverpool City School District
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Table 2 shows the changes in net position for fiscal year 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,370,188	\$ 1,384,455
Operating Grants	4,027,209	3,979,863
Capital Grants	2,190	3,754
<i>Total Program Revenues</i>	<u>5,399,587</u>	<u>5,368,072</u>
<i>General Revenues:</i>		
Property Taxes	4,146,983	4,068,177
Grants and Entitlements Not Restricted	19,859,219	18,429,418
Other	96,570	137,819
<i>Total General Revenues</i>	<u>24,102,772</u>	<u>22,635,414</u>
<i>Total Revenues</i>	<u>29,502,359</u>	<u>28,003,486</u>
Program Expenses		
Instruction:		
Regular	12,175,900	11,921,017
Special	3,850,695	3,254,382
Vocational	1,219,942	1,137,680
Adult/Continuing	3,030	7,989
Student Intervention Services	1,399	7,705
Other	1,818,914	1,799,451
Support Services:		
Pupils	1,711,953	1,298,652
Instructional Staff	1,029,314	1,980,527
Board of Education	131,641	119,294
Administration	1,628,301	1,653,313
Fiscal	578,245	556,020
Business	4,334	14,975
Operation and Maintenance of Plant	3,346,075	3,237,200
Pupil Transportation	1,236,916	1,257,855
Central	47,634	43,379
Operation of Non-Instructional Services:		
Food Service Operations	1,194,966	1,228,359
Community Services	132,686	168,379
Extracurricular Activities	299,321	462,327
Debt Service:		
Interest and Fiscal Charges	83,695	75,622
<i>Total Expenses</i>	<u>30,494,961</u>	<u>30,224,126</u>
<i>Increase (Decrease) in Net Position</i>	(992,602)	(2,220,640)
<i>Net Position at Beginning of Year</i>	<u>47,594,486</u>	<u>49,815,126</u>
<i>Net Position at End of Year</i>	<u>\$ 46,601,884</u>	<u>\$ 47,594,486</u>

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The increase in total revenues can be attributed to an increase in state funding.

The increase in total expenditures can be attributed to an increase in staffing and benefits. The change in instructional staff and special instruction were the result of management evaluating classifications to more accurately reflect the services provided per Ohio Department of Education (ODE) guidelines.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2014	2013	2014	2013
Instruction:				
Regular	\$ 12,175,900	\$ 11,921,017	\$ 10,546,559	\$ 10,511,062
Special	3,850,695	3,254,382	3,269,738	3,039,700
Vocational	1,219,942	1,137,680	832,607	759,967
Adult/Continuing	3,030	7,989	(7,470)	(3,066)
Student Intervention Services	1,399	7,705	1,399	7,516
Other	1,818,914	1,799,451	1,651,259	1,727,809
Support Services:				
Pupils	1,711,953	1,298,652	1,468,743	1,082,555
Instructional Staff	1,029,314	1,980,527	566,193	1,296,344
Board of Education	131,641	119,294	131,641	114,599
Administration	1,628,301	1,653,313	1,455,766	1,364,375
Fiscal	578,245	556,020	569,716	528,270
Business	4,334	14,975	4,334	14,917
Operation and Maintenance of Plant	3,346,075	3,237,200	3,326,369	2,985,790
Pupil Transportation	1,236,916	1,257,855	1,214,114	1,174,195
Central	47,634	43,379	38,634	33,010
Operation of Non-Instructional Services:				
Food Service Operations	1,194,966	1,228,359	(17,010)	(18,946)
Community Services	132,686	168,379	(10,768)	(16,932)
Extracurricular Activities	299,321	462,327	173,020	358,731
Debt Service:				
Interest and Fiscal Charges	83,695	75,622	(119,470)	(103,842)
<i>Total Expenses</i>	\$ 30,494,961	\$ 30,224,126	\$ 25,095,374	\$ 24,856,054

The dependence upon general revenues for governmental activities is apparent. Over 82% of governmental activities are supported through taxes and other general revenues; such revenues are 82% of total governmental revenues. The community, as a whole, is by far the primary support for the District students.

East Liverpool City School District
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Management's Discussion and Analysis
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Governmental Funds

Information about the District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$29,768,409 and expenditures and other financing uses of \$30,011,203 for the fiscal year. The net change in fund balances for the fiscal year was a decrease of \$242,794 for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2014 was a decrease of \$497,588. The decrease can be attributed to an increase in staffing costs and health insurance.

The bond retirement fund's net change in fund balance for fiscal year 2014 was an increase of \$601,435. The increase in fund balance is due to collection of taxes, but no debt payments due (See Note 10); however, the sinking fund debt payments are being made and held with a Fiscal Agent. These payments will be recognized as an expenditure when the bond matures.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District did amend its general fund budget a few times. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the actual budget basis revenue and other financing sources were \$24,985,535; the final budget basis revenue and other financing sources were \$22,939,263, higher by \$2,046,272. Most of this difference is due to an under estimation of intergovernmental revenue and tuition and fees.

Final appropriations of \$26,098,175 were \$494,010 higher than the actual expenditures of \$25,604,165, due to an under estimation of repairs and maintenance of the administration building and other projects.

Original appropriations of \$25,283,126 were \$815,049 lower than the final appropriations of \$26,098,175, due to an under estimation of expenditures in general.

East Liverpool City School District
Columbiana County, Ohio
Management's Discussion and Analysis
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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$44,465,959 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 39,794	\$ 39,794
Construction in Progress	0	1,243,223
Land Improvements	1,391,879	1,532,886
Buildings and Building Improvements	40,662,196	40,391,767
Furniture and Fixtures	1,699,791	1,907,070
Vehicles	672,299	616,210
<i>Totals</i>	<u>\$ 44,465,959</u>	<u>\$ 45,730,950</u>

The \$1,264,991 decrease in capital assets was attributable to depreciation and disposals exceeding current year additional purchases. See Note 8 for more information about the capital assets of the District.

Debt

At June 30, 2014, the District had \$7,900,000 in school improvement bonds and \$1,400,000 in lease obligations outstanding. See Notes 9 and 10 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2014	2013
School improvement bonds	\$ 7,900,000	\$ 7,900,000
Lease obligations	1,400,000	1,682,000
<i>Total</i>	<u>\$ 9,300,000</u>	<u>\$ 9,582,000</u>

Current Issues

The East Liverpool City School District is financially responsible for educating approximately 2,484 students, grades PK-12. During fiscal year 2013-2014, more than 2,243 of those students were educated at the District's five schools housed in four physical plants compared with 2,270 students in the prior fiscal year. The rest were educated either by other school districts in the State, mostly through open enrollment, or at community schools in accordance with State law. For the first time in the last few years, District

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“head count” enrollment decreased by 27 students, or about 1%. Prior to that, the District had seen slight increases in enrollment. Nevertheless, the long-term (40-year) trend of the District has been in the direction of declining enrollment. For instance, in 1970, the District enrolled approximately 5,000 students. The countertrend of modestly increasing enrollment in the prior few years has been believed attributable to the opening of renovated school facilities and modestly improving economic conditions in the East Liverpool region. An independent enrollment projection indicates that District enrollment is stabilizing in the range of 2,200 to 2,400 students. Preliminary enrollment data for the 2014-2015 school year shows that enrollment likely will remain stable.

Academic improvement is a critical issue for the East Liverpool City Schools. In order to improve its academic standing, the District is actively involved in the Ohio Improvement Process. The sub-divisions of the Ohio Improvement Process consist of a District Leadership Team (DLT) with personnel from Board Members, Teaching Staff and Administration who meet quarterly; a Building Leadership Team (BLT) consisting of Build Administration and Building Staff who meet monthly; and Teacher Based Teams (TBT) who also meet monthly.

The District is implementing several instructional improvement initiatives. For the 2014-2015 school year, the BLT's and TBT's are planning on weekly meetings with support from the State Support Teams. Block Schedule Training will also be taking place this year to enhance instruction in science, math, and reading. This involves extensive training of District faculty and administrative personnel in helping students improve their academic achievement. One point of pride for the District is that East Liverpool High School has a graduation rate that well exceeds school districts with similar service population demographics.

East Liverpool is located in southeastern Columbiana County and is one of the major cities in what the U.S. Census Bureau defines as the East Liverpool-Salem Micropolitan Area. The District comprises approximately 14 square miles located in the City of East Liverpool, Liverpool Township and all small portion of St. Clair Township. Columbiana County is 1 of 22 designated in Ohio's Appalachian region by the federal government. This is indicative of the region's socio-economic challenges. Public and non-profit employers, including the District and East Liverpool City Hospital, are the major employers within the District.

Approximately seventy-five percent (75%) of the District's students are eligible for free or reduced price meals made available through the National School Lunch Program. Effective with the start of the 2014-2015 school year, the District has been able to offer free breakfasts to all students due to its socio-economic status. As a result of the presence of poverty in the East Liverpool area, the District is a major recipient of federal funds on a per-pupil basis.

Socio-economic issues in the community cause the District to confront several educational issues. Approximately twenty percent (20%) of East Liverpool students qualify for special education services. This compares to an average of twelve percent (12%) for Ohio's school age population. The District also commits substantial resources to pre-school, after-school programs, summer programs, and other efforts to help students succeed academically.

Local financial resources are limited. On a per-pupil basis, the taxable value of real property in the District is the eighteenth lowest of 614 school districts in the State of Ohio. This reflects the collapse of the pottery industry in the United States, which was once the largest private sector employer in the region. However, recent developments suggest a slight reversal in the fortunes of the pottery industry. A small pottery manufacturer has won a contract to supply coffee mugs to Starbucks as part of a Starbucks'

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program to source the manufacture of products it sells in the United States. It reports that its business is steady. Still, an area that once boasted 60 potteries is down to a handful of potteries. The largest pottery in the region, the Homer Laughlin Co., manufacturer of Fiestaware, is located outside the corporate boundaries of the District in the State of West Virginia. However, it is a major private-sector employer of District residents.

Other manufacturing employment in the immediate area has also decreased substantially, especially in the steel industry. Somewhat offsetting these economic challenges is the ability of local residents to commute to employment in other nearby metropolitan areas, including Youngstown, Ohio; Steubenville, Ohio; Wheeling, W.Va.; and Pittsburgh, Pa. The District is located approximately 25 miles from Pittsburgh International Airport. Its southern boundary is the Ohio River. Major rail lines and controlled-access roadways also serve the community. U.S. Route 30 provides major east-west access to East Liverpool. The Lake Erie-Ohio River Expressway (State Route 11) provides the shortest expressway access between the Great Lakes at the Port of Ashtabula, Ohio, and the Mississippi River watershed at East Liverpool in the nation.

The population of the East Liverpool area has been in decline for four decades. The City of East Liverpool had approximately 26,000 residents in 1970, according to the U.S. Census Bureau. Census figures show the population fell to about 12,000 in 2010. A significant amount of that population loss is the result of the out-migration of people from the East Liverpool area. During the Great Recession, this migration trend subsided and local population appears to have stabilized.

Since 2010, the eastern Ohio region, including East Liverpool, have benefitted from a boom in natural gas exploration. East Liverpool has a central location in the Marcellus Shale region of Ohio. Though estimates of economic activity and potential population growth vary widely, public officials in the region have stated the East Liverpool area will directly benefit from this exploration activity. Shell Oil Co. has announced plans to construct a processing plant 18 miles east of East Liverpool in Monaca, Pa. More than \$1 billion is expected to be invested in this facility. This investment has been cited as the largest economic investment in the Upper Ohio Valley in at least two generations.

The East Liverpool area remains one of the most affordable areas in the nation to live in terms of housing costs. Also, the nearby Pittsburgh metropolitan area has weathered the economic downturn better than the majority of major American communities. In its first quarter report of 2013 economic activity in the Pittsburgh region, PNC Bank economists wrote that economic activity in the region is now above the pre-Great Recession peak. Further, the Pittsburgh region has one of the most robust economies in the nation. This is due to Pittsburgh's concentration of educational institutions, health care centers and technology companies. The Pittsburgh job market is accessible to East Liverpool residents.

Partially as a result of renewed economic activity in the region, the City of East Liverpool in 2013 retained Better City LLC of Ogden, Utah. Better City LLC is a consulting firm that specializes in working with economically depressed communities to improve business and economic conditions. The firm is in the process of assessing potential new markets for East Liverpool and has determined that education is among the industries with the potential to drive economic investment in the region. The consulting work of Better City LLC is ongoing. However, the Board of Education has been asked to consider working cooperatively with the City and consulting firm in those efforts. Topics broached with the Board of Education by the City and consulting firm include the possible creation of a Tax Increment Financing (TIF) District and development of a community school sponsored by the Board of Education. The first major result of these efforts is the announcement of intention for the location of a campus of the New Castle School of Trades within the City of East Liverpool. A second announcement of the renovation of a

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

downtown building into a hotel also has been made recently. Additional economic development efforts stemming from the efforts of Better City LLC are expected to occur during fiscal year 2015.

In terms of school funding, the District is heavily dependent on State financial support. Approximately eighty percent (80%) of the funds for day-to-day school operations are provided by the State of Ohio. This funding is subject to the biennial appropriation of the Ohio General Assembly. At this time, the State of Ohio is faring better than the nation as a whole in terms of economic activity and unemployment. For the past several years, the District has received roughly the same amount of money through the State Foundation program as it did the prior year, which is approximately \$17 million. During Fiscal Year 2013-2014, however, the District received more than \$18 million in State funding and is forecast to receive about \$19 million during fiscal year 2015. The District is receiving less revenue from programs designed to offset the loss of tangible property tax revenues than in the recent past. The Ohio General Assembly has enacted major revisions to the formula that distributes State funding to Ohio's school districts. The changes enacted appear to be favorable to the District based on information disseminated by the Legislative Service Commission. However, it is noteworthy that the new system mandates additional expenditures for local school districts. At this point, it is not certain how much the new expenditure mandates will offset the additional funding. For the 2013-2014 school year, the District had an operating budget of approximately \$25 million.

As of June 30, 2014, cash reserves were approximately \$4 million. This reserve amounts to a 60-day cushion in operating cash reserves. The current five-year financial forecast projects stable cash reserves for the coming school year but declining reserves for the balance of the forecast period. The Board of Education and administration are working together to chart the best future courses of action to address long-term financial challenges.

The current cash position of the District is in stark contrast to recent years. On December 18, 2003, the District was placed in fiscal emergency by the State of Ohio as a result of having insufficient resources to pay day-to-day operating costs. The District was released from Fiscal Emergency on March 24, 2009, a period of five years and three months. In order to gain release from Fiscal Emergency, the District substantially cut operating costs and made painful permanent staff reductions. These reductions included the elimination of nearly 40 full-time personnel; approximately seventy-five (75%) of those positions eliminated were teaching positions.

The District currently operates five school units: LaCroft Elementary (grades K-4), North Elementary (grades K-4), Westgate Elementary (grades PK, 5-6), East Liverpool Junior High School (grades 7-8) and East Liverpool High School (grades 9-12). All facilities, except Westgate Elementary, were renovated under the auspices of the Ohio School Facilities Commission (OSFC), now known as the Ohio Facilities Construction Commission (OFCC). Construction was completed during the 2010-2011 school year. At this writing, the District has received permission from the OFCC to continue using the Westgate facility for student instructional purposes. However, the OFCC has declined to provide funding to renovate the building for student instructional purposes. Enrollment at the start of the 2013-2014 year was about 400 more students than a study commissioned by the OFCC projected it would be. The District's unusually high population of special education students requires more classroom space. State law mandates student teacher ratios for some special education programs that are less than half the standard student teacher ratio for regular education programs. Seeking to address socio-economic issues at an early age, the District has expanded preschool programs, which operate from the Westgate facility.

During Summer 2011, administrative officers were relocated to the Westgate facility from the former East Junior High School. The Board of Education authorized the sale of the East Junior High School facility to

East Liverpool City School District
Columbiana County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

the City of East Liverpool in June 2012. In exchange, the District acquired property adjacent to East Liverpool High School. In May 2012, the Board of Education agreed to acquire property from BP Oil Co. that is directly west its football stadium, Monroe Patterson Field. This will provide space for maintenance facilities that need to be relocated from the East Junior High School facility. Both real property transactions closed in the fall of 2012. The closure of the East Junior High School facility has reduced District operating costs by more than \$50,000 per year. The District also owns and operates a bus and vehicle maintenance center that is adjacent to the BP Oil property.

The renovations completed during the 2011-2012 school year were authorized when District voters approved a 3.2-mill bond issue in May 2002. Eighty-seven percent (87%) of eligible project costs were to be paid by the State of Ohio and thirteen percent (13%) from proceeds of the bond issue. In the eight years since voter approval, the initial project was twice reduced in scope. The initial project was to have been \$59,751,022 with \$7,769,000 funded through the local bond issue and \$51,982,022 funded by the OFCC. Current project funding totals \$43,648,423 with \$5,675,294 funded by the local community and \$37,473,129 funded by the State of Ohio.

The District's physical capital assets, including property physical plant and equipment total approximately \$100 million.

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 show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Todd Puster, District Treasurer, at 810 West Eighth Street, East Liverpool, Ohio 43920 or telephone (330) 385-7132.

East Liverpool City School District
Columbiana County, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 7,031,825
Cash and Cash Equivalents with Fiscal Agent	6,998,030
Receivables:	
Accrued Interest	4,027
Accounts	5,888
Intergovernmental	1,226,076
Property Taxes	5,025,401
Nondepreciable Capital Assets	39,794
Depreciable Capital Assets (Net)	44,426,165
<i>Total Assets</i>	64,757,206
Liabilities	
Accounts Payable	170,641
Accrued Wages and Benefits	2,090,063
Intergovernmental Payable	698,760
Accrued Vacation Leave Payable	80,977
Matured Compensated Absences Payable	92,344
Accrued Interest Payable	4,326
Claims Payable	552,219
Long Term Liabilities:	
Due Within One Year	325,652
Due In More Than One Year	10,255,082
<i>Total Liabilities</i>	14,270,064
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	3,885,258
<i>Total Deferred Inflows of Resources</i>	3,885,258
Net Position	
Net Investment in Capital Assets	36,066,719
Restricted For:	
Capital Outlay	647,536
Debt Service	5,251,170
Other Purposes	2,747,771
Unrestricted	1,888,688
<i>Total Net Position</i>	\$ 46,601,884

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 12,175,900	\$ 699,890	\$ 929,451	\$ 0	\$ (10,546,559)
Special	3,850,695	53,709	527,248	0	(3,269,738)
Vocational	1,219,942	0	387,335	0	(832,607)
Adult/Continuing	3,030	0	10,500	0	7,470
Student Intervention Services	1,399	0	0	0	(1,399)
Other	1,818,914	167,655	0	0	(1,651,259)
Support Services:					
Pupils	1,711,953	0	243,210	0	(1,468,743)
Instructional Staff	1,029,314	0	463,121	0	(566,193)
Board of Education	131,641	0	0	0	(131,641)
Administration	1,628,301	27,568	144,967	0	(1,455,766)
Fiscal	578,245	0	8,529	0	(569,716)
Business	4,334	0	0	0	(4,334)
Operation and Maintenance of Plant	3,346,075	0	17,516	2,190	(3,326,369)
Pupil Transportation	1,236,916	19,482	3,320	0	(1,214,114)
Central	47,634	0	9,000	0	(38,634)
Operation of Non-Instructional Services:					
Food Service Operations	1,194,966	290,163	921,813	0	17,010
Community Services	132,686	0	143,454	0	10,768
Extracurricular Activities	299,321	111,721	14,580	0	(173,020)
Debt Service:					
Interest and Fiscal Charges	83,695	0	203,165	0	119,470
Total	\$ 30,494,961	\$ 1,370,188	\$ 4,027,209	\$ 2,190	(25,095,374)

General Revenues

Property Taxes Levied for:

General Purposes	3,727,194
Debt Service	358,129
Other Purposes	61,660
Grants and Entitlements Not Restricted to Specific Programs	19,859,219
Investment Earnings	27,575
Miscellaneous	68,995
Total General Revenues	24,102,772

Change in Net Position

(992,602)

Net Position Beginning of Year

47,594,486

Net Position End of Year

\$ 46,601,884

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 3,548,992	\$ 0	\$ 3,482,833	\$ 7,031,825
Cash and Cash Equivalents with Fiscal Agent	0	5,346,000	0	5,346,000
Receivables:				
Accrued Interest	4,027	0	0	4,027
Accounts	5,888	0	0	5,888
Interfund	218,057	0	0	218,057
Intergovernmental	85,393	0	1,140,683	1,226,076
Property Taxes	4,480,324	470,695	74,382	5,025,401
<i>Total Assets</i>	<u>\$ 8,342,681</u>	<u>\$ 5,816,695</u>	<u>\$ 4,697,898</u>	<u>\$ 18,857,274</u>
Liabilities				
Accounts Payable	\$ 116,835	\$ 0	\$ 53,806	\$ 170,641
Accrued Wages and Benefits	1,884,309	0	205,754	2,090,063
Intergovernmental Payable	609,817	0	88,943	698,760
Matured Compensated Absences Payable	92,344	0	0	92,344
Interfund Payable	0	200,687	17,370	218,057
<i>Total Liabilities</i>	<u>2,703,305</u>	<u>200,687</u>	<u>365,873</u>	<u>3,269,865</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	3,463,156	364,838	57,264	3,885,258
Unavailable Revenue	961,892	91,120	868,466	1,921,478
<i>Total Deferred Inflows of Resources</i>	<u>4,425,048</u>	<u>455,958</u>	<u>925,730</u>	<u>5,806,736</u>
Fund Balances				
Restricted	0	5,160,050	3,451,702	8,611,752
Assigned	618,890	0	0	618,890
Unassigned	595,438	0	(45,407)	550,031
<i>Total Fund Balances</i>	<u>1,214,328</u>	<u>5,160,050</u>	<u>3,406,295</u>	<u>9,780,673</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 8,342,681</u>	<u>\$ 5,816,695</u>	<u>\$ 4,697,898</u>	<u>\$ 18,857,274</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances		\$ 9,780,673
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		44,465,959
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 853,724	
Excess Costs	85,393	
Property Taxes	982,361	1,921,478
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,099,811
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(4,326)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
QZAB Bonds	(7,900,000)	
Capital Lease Obligation	(1,400,000)	
Vacations Payable	(80,977)	
Compensated Absences	(1,280,734)	(10,661,711)
<i>Net Position of Governmental Activities</i>		\$ 46,601,884

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 3,792,994	\$ 328,377	\$ 62,582	\$ 4,183,953
Intergovernmental	20,012,446	81,190	3,657,183	23,750,819
Investment Income	23,870	203,165	8	227,043
Tuition and Fees	974,772	0	0	974,772
Extracurricular Activities	27,570	0	108,973	136,543
Rentals	2,263	0	0	2,263
Charges for Services	3,143	0	288,760	291,903
Contributions and Donations	5,037	0	21,181	26,218
Miscellaneous	77,829	0	6,461	84,290
<i>Total Revenues</i>	<u>24,919,924</u>	<u>612,732</u>	<u>4,145,148</u>	<u>29,677,804</u>
Expenditures				
Current:				
Instruction:				
Regular	10,055,087	0	1,163,121	11,218,208
Special	3,513,993	0	423,908	3,937,901
Vocational	1,167,423	0	62,690	1,230,113
Adult Education	0	0	3,030	3,030
Student Intervention Services	1,248	0	151	1,399
Other	1,818,914	0	0	1,818,914
Support Services:				
Pupils	1,441,423	0	248,565	1,689,988
Instructional Staff	585,395	0	465,105	1,050,500
Board of Education	130,281	0	0	130,281
Administration	1,426,766	0	156,460	1,583,226
Fiscal	554,675	11,297	11,776	577,748
Business	1,370	0	0	1,370
Operation and Maintenance of Plant	2,694,641	0	173,103	2,867,744
Pupil Transportation	1,270,143	0	32,549	1,302,692
Central	38,634	0	9,000	47,634
Extracurricular Activities	253,499	0	157,996	411,495
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,167,634	1,167,634
Community Services	0	0	132,135	132,135
Capital Outlay	33,136	0	374,191	407,327
Debt Service:				
Principal Retirement	282,000	0	0	282,000
Interest and Fiscal Charges	60,239	0	0	60,239
<i>Total Expenditures</i>	<u>25,328,867</u>	<u>11,297</u>	<u>4,581,414</u>	<u>29,921,578</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(408,943)</u>	<u>601,435</u>	<u>(436,266)</u>	<u>(243,774)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	980	0	0	980
Transfers In	0	0	89,625	89,625
Transfers Out	(89,625)	0	0	(89,625)
<i>Total Other Financing Sources (Uses)</i>	<u>(88,645)</u>	<u>0</u>	<u>89,625</u>	<u>980</u>
<i>Net Change in Fund Balance</i>	(497,588)	601,435	(346,641)	(242,794)
<i>Fund Balances Beginning of Year</i>	<u>1,711,916</u>	<u>4,558,615</u>	<u>3,752,936</u>	<u>10,023,467</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,214,328</u>	<u>\$ 5,160,050</u>	<u>\$ 3,406,295</u>	<u>\$ 9,780,673</u>

See accompanying notes to the basic financial statements.

**East Liverpool City School District
Columbiana County, Ohio**

*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		\$ (242,794)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 391,073	
Current Year Depreciation	<u>(1,630,545)</u>	(1,239,472)
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(25,519)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(36,970)	
Excess Costs	(37,681)	
SERS Reimbursement	(13,030)	
Intergovernmental	<u>(79,960)</u>	(167,641)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		282,000
 Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net position.		
		(24,224)
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable		768
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		437,365
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(42,891)	
Vacations Payable	(30,194)	
Early Retirement Incentive	<u>60,000</u>	<u>(13,085)</u>
 <i>Change in Net Position of Governmental Activities</i>		 <u>\$ (992,602)</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 3,496,232	\$ 3,496,232	\$ 3,815,540	\$ 319,308
Intergovernmental	18,489,603	18,489,603	20,012,446	1,522,843
Investment Income	23,588	23,588	24,423	835
Tuition and Fees	808,597	808,597	1,008,974	200,377
Rentals	5,661	5,661	3,250	(2,411)
Contributions and Donations	472	472	0	(472)
Miscellaneous	43,402	43,402	35,230	(8,172)
<i>Total Revenues</i>	<u>22,867,555</u>	<u>22,867,555</u>	<u>24,899,863</u>	<u>2,032,308</u>
Expenditures				
Current:				
Instruction:				
Regular	10,039,597	9,918,579	9,915,687	2,892
Special	3,541,542	3,485,593	3,448,863	36,730
Vocational	1,150,136	1,169,212	1,154,842	14,370
Student Intervention Services	885	875	0	875
Other	1,276,201	1,825,810	1,823,868	1,942
Support Services:				
Pupils	1,318,356	1,621,518	1,541,119	80,399
Instructional Staff	744,465	612,202	606,332	5,870
Board of Education	168,325	133,991	131,579	2,412
Administration	1,547,066	1,487,990	1,363,136	124,854
Fiscal	564,914	580,504	575,037	5,467
Business	1,805	1,785	1,630	155
Operation and Maintenance of Plant	3,016,629	2,952,836	2,787,390	165,446
Pupil Transportation	1,177,453	1,334,849	1,313,873	20,976
Central	38,349	38,838	38,768	70
Extracurricular Activities	269,679	268,593	237,041	31,552
Capital Outlay	82,277	33,136	33,136	0
Debt Service:				
Principal Retirement	282,000	282,000	282,000	0
Interest and Fiscal Charges	60,239	60,239	60,239	0
<i>Total Expenditures</i>	<u>25,279,918</u>	<u>25,808,550</u>	<u>25,314,540</u>	<u>494,010</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,412,363)</u>	<u>(2,940,995)</u>	<u>(414,677)</u>	<u>2,526,318</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	4,718	4,718	980	(3,738)
Refund of Prior Year Expenditures	66,990	66,990	83,219	16,229
Insurance Recoveries	0	0	1,473	1,473
Transfers Out	(3,208)	(289,625)	(289,625)	0
<i>Total Other Financing Sources (Uses)</i>	<u>68,500</u>	<u>(217,917)</u>	<u>(203,953)</u>	<u>13,964</u>
<i>Net Change in Fund Balance</i>	(2,343,863)	(3,158,912)	(618,630)	2,540,282
<i>Fund Balance Beginning of Year</i>	3,595,067	3,595,067	3,595,067	0
Prior Year Encumbrances Appropriated	318,510	318,510	318,510	0
<i>Fund Balance End of Year</i>	<u>\$ 1,569,714</u>	<u>\$ 754,665</u>	<u>\$ 3,294,947</u>	<u>\$ 2,540,282</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2014

	Governmental Activities - Internal Service Fund
	<u> </u>
Assets	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	\$ 1,652,030
<i>Total Current Assets</i>	<u>1,652,030</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	552,219
<i>Total Current Liabilities</i>	<u>552,219</u>
Net Position	
Unrestricted	<u>1,099,811</u>
<i>Total Net Position</i>	<u><u>\$ 1,099,811</u></u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental Activities - Internal Service Fund
Operating Revenue	
Charges for Services	\$ 4,914,900
Other	1,039,609
<i>Total Operating Revenues</i>	5,954,509
Operating Expenses	
Purchased Services	251,027
Claims	5,269,822
<i>Total Operating Expenses</i>	5,520,849
<i>Operating Income (Loss)</i>	433,660
Non-Operating Revenues (Expenses)	
Interest	3,705
<i>Total Non-Operating Revenues (Expenses)</i>	3,705
<i>Change in Net Position</i>	437,365
<i>Net Position Beginning of Year</i>	662,446
<i>Net Position End of Year</i>	\$ 1,099,811

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 4,914,900
Other Cash Receipts	1,039,609
Cash Paid for Goods and Services	(251,027)
Cash Paid for Claims	(5,269,480)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>434,002</u>
 Cash Flows From Investing Activities	
Interest on Investments	<u>3,705</u>
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>3,705</u>
 <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	437,707
 <i>Cash and Cash Equivalents, Beginning of Year</i>	<u>1,214,323</u>
 <i>Cash and Cash Equivalents, End of Year</i>	<u>\$ 1,652,030</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ 433,660
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>342</u>
<i>Total Adjustments</i>	<u>342</u>
 <i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 434,002</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 36,436	\$ 53,345
<i>Total Assets</i>	36,436	\$ 53,345
 Liabilities		
Accounts Payable	0	\$ 1,500
Intergovernmental Payable	0	6
Due to Students	0	51,839
<i>Total Liabilities</i>	0	\$ 53,345
 Net Position		
Held in Trust for Scholarships	\$ 36,436	

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions	
Miscellaneous	\$ 655
Investment Earnings	1
<i>Total Additions</i>	656
 Deductions	
Payments in Accordance with Trust Agreements	600
<i>Change in Net Position</i>	56
<i>Net Position Beginning of Year</i>	36,380
<i>Net Position End of Year</i>	\$ 36,436

See accompanying notes to the basic financial statements.

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1 - DESCRIPTION OF THE DISTRICT

East Liverpool 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 operates under a locally-elected five member Board and provides educational services as mandated by State and Federal agencies. The District currently operates five instructional buildings, one administrative office and one bus garage.

The District was established in 1864 through the consolidation of existing land areas and Districts. The District serves an area of approximately 14 square miles. It is located in Columbiana County and includes all of the City of East Liverpool, all of Liverpool Township and a portion of Saint Clair Township.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

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The following activities are included within the reporting entity:

Non-Public Schools

Within the District boundaries, St. Aloysius Catholic School is operated through the Catholic Diocese of Youngstown and East Liverpool Christian School is operated as a private school. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. These transactions are reported in a special revenue fund and as a governmental activity of the District.

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Education Service System (ACCESS)

Area Cooperative Computerized Education Service System (ACCESS) is a computer network which provides data services to twenty-six school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo, Suite 105, Youngstown, Ohio 44512. During the year ended June 30, 2014 the District paid \$52,613, including \$36,113 for basic service charges to ACCESS.

The District also participates in a claims servicing pool, the Jefferson Health Plan, formerly known as Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, which is presented in Note 20.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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The following are the District's major governmental funds:

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

Bond Retirement Fund – The bond retirement fund provides for retirement of bonds and notes.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for food service operations; (c) for long-term debt principal and interest payments; and (d) for grants and other resources of the District to which the District is bound to observe constraints imposed upon the use of the resources.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has the following proprietary fund type:

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for a self-insurance program for employee healthcare and prescription drug benefits.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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 activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

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The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. 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 fund types 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, deferred outflows, current liabilities and 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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow is an acquisition of assets by the District that is applicable to a future reporting period. A deferred outflow is a consumption of assets by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows in governmental funds.

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

On the accrual basis of accounting, unamortized deferred charges on debt refunding are reported as deferred outflows. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as expenditures with a like amount reported as intergovernmental revenue.

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

E. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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Estimated Resources: 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. On or before July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or before July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificates of estimated resources issued during fiscal year 2014.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal year 2014.

The budget figures which appear in the statements of budgetary comparisons represent the original and final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds consistent with statutory provisions.

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in various bank accounts. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2014, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), STAR Plus, money market accounts and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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The District has invested funds in 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 shares price which, is the price the investment could be sold for on June 30, 2014.

The District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$23,870, which includes \$15,222 assigned from other funds.

The District participates in the Jefferson Health Plan, formally known as Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, for self-insurance. These monies are held separate from the District's various bank accounts. The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the basic financial statements as "equity in pooled cash and investments."

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

G. Capital Assets

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

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

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

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Description	Estimated Lives
Land improvements	15 - 40 years
Buildings and improvements	25 - 40 years
Furniture and fixtures	5 - 20 years
Vehicles	5 - 15 years

H. Interfund Balances

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

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

I. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “*Accounting for Compensated Absences*”. Vacation absences are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments for sick leave.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those 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 or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

L. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consist 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 are 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.

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

M. Estimates

The preparation of the 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.

N. Interfund Activity

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary fund. For the District, these revenues are charges for services self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as nonoperating.

P. Extraordinary and Special Items

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

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Q. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2014, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, “*Items Previously Reported as Assets and Liabilities*,” GASB Statement No. 66, “*Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*,” and GASB Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*.”

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows or deferred inflows or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District’s fiscal year 2014 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

NOTE 3 - DEFICIT FUND BALANCES

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

	<u>Fund Balance</u>
Non-Major Other Governmental Funds:	
Poverty Aid	\$ 772
Vocational Education	2,393
Title-I	41,571
IDEA Preschool Grant	671

The general fund is liable for any deficits in the other funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
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 2% 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 items (1) and (2) above 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 and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 25% 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 classifications by at least two nationally recognized rating agencies.

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.

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

A. Deposits with Financial Institutions

At fiscal year-end, the carrying amount of the District's deposits was \$5,265,173. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$2,972,760 of the District's bank balance of \$5,321,473 was exposed to custodial risk as discussed below, while \$2,348,713 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$151,467 held in a STAR Plus account.

The District participates in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, for employee benefits. The amount held at fiscal year end for the employee benefit self-insurance fund was \$1,652,030. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the health plan.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All uninsured deposits are 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 uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

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

Entity	Fair Value	Investment Maturity 0-1 Years	Percentage
STAROhio	\$ 1,254,968	\$ 1,254,968	67.60%
Money Market	601,465	601,465	32.40%
	<u>\$ 1,856,433</u>	<u>\$ 1,856,433</u>	<u>100.00%</u>

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As of June 30, 2014, \$5,346,000 is held with a Fiscal Agent in the District's name. These monies are held for the construction costs associated with a lease-purchase agreement for Qualified Zone Academy Bonds (See Note 10).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2014 is 51 days and carries a rating of AAAM by Standard & Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name.

The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. See percentages above.

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Loans

Interfund loans receivable and payable consisted of the following at June 30, 2014, as reported on the fund statement:

	Interfund Receivable	Interfund Payable
General Fund	\$ 218,057	\$ 0
Bond Retirement	0	200,687
Other Governmental Funds:		
Title-I	0	17,370
Total	\$ 218,057	\$ 218,057

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The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances were interfund loans which were not repaid in the current fiscal year, however expected to be repaid in the next fiscal year.

Interfund transactions between governmental funds are eliminated on the government-wide financial statements.

B. Interfund Transfers

Transfers made during fiscal year 2014 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 89,625
Nonmajor Governmental Funds	89,625	0
Total	\$ 89,625	\$ 89,625

These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$140,669 in the general fund, \$14,737 in the debt service fund, and \$2,376 in the classroom facilities fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013, was \$163,215 in the general fund, \$10,580 in the debt service fund, and \$2,711 in the classroom facilities fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been recorded as deferred inflows.

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

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 146,737,150	92.87%	\$ 143,388,960	92.29%
Public Utility Personal Property	11,263,760	7.13%	11,981,520	7.71%
	<u>\$ 158,000,910</u>	<u>100.00%</u>	<u>\$ 155,370,480</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	<u>\$ 36.40</u>		<u>\$ 37.50</u>	

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NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, accounts (billings for user charged services and student fees), intergovernmental grants, excess costs, interfund, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year. The intergovernmental receivable at June 30 consisted of federal grants and other receivables.

	Amount
General Fund	\$ 85,393
Other governmental funds:	
Early Childhood Education	112,000
IDEA-B	106,649
Vocational Education	5,207
Title I - School Improvement	73,730
Title I	487,502
IDEA - Preschool	6,328
Improving Teacher Quality	313,363
Miscellaneous Federal Grants	35,904
Total other governmental funds	1,140,683
	\$ 1,226,076

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NOTE 8 - CAPITAL ASSETS

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 39,794	\$ 0	\$ 0	\$ 39,794
Construction in Progress	1,243,223	170,265	(1,413,488)	0
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,283,017</u>	<u>170,265</u>	<u>(1,413,488)</u>	<u>39,794</u>
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	3,198,714	9,800	0	3,208,514
Buildings and Improvements	53,814,863	1,413,488	0	55,228,351
Furniture and Fixtures	4,551,454	40,176	(17,200)	4,574,430
Vehicles	1,823,848	170,832	(103,258)	1,891,422
<i>Total Capital Assets, Being Depreciated</i>	<u>63,388,879</u>	<u>1,634,296</u>	<u>(120,458)</u>	<u>64,902,717</u>
<i>Accumulated Depreciation</i>				
Land Improvements	(1,665,828)	(150,807)	0	(1,816,635)
Buildings and Improvements	(13,423,096)	(1,143,059)	0	(14,566,155)
Furniture and Fixtures	(2,644,384)	(232,262)	2,007	(2,874,639)
Vehicles	(1,207,638)	(104,417)	92,932	(1,219,123)
<i>Total Accumulated Depreciated</i>	<u>(18,940,946)</u>	<u>(1,630,545)</u>	<u>94,939</u>	<u>(20,476,552)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>44,447,933</u>	<u>3,751</u>	<u>(25,519)</u>	<u>44,426,165</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 45,730,950</u>	<u>\$ 174,016</u>	<u>\$ (1,439,007)</u>	<u>\$ 44,465,959</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,272,412
Vocational	57,175
Support Services:	
Pupils	36,809
Instructional Staff	701
Board	1,360
Administration	38,208
Business	2,964
Operations and Maintenance of Plant	39,714
Pupil Transportation	96,021
Food Service Operations	26,539
Community Services	551
Extracurricular Activities	58,091
Total Depreciation	<u>\$ 1,630,545</u>

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NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District entered into a capitalized lease for copier equipment and buses. The lease agreement meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds and in the budgetary statements. At June 30, 2014, the capital assets acquired by the capital lease obligations outstanding at fiscal year-end have been capitalized in the amount of \$370,000, which represents the present value of the future minimum lease payments at the time of acquisition, final lease payment was made in fiscal year 2014.

A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2014 totaled \$82,000 paid by the general fund.

In December 2010, the District entered into a Ground Lease Agreement with Huntington National Bank, in which the District was the Lessor of District land (known as the "Project Site") for school facilities construction. On the same date, the District entered into a lease agreement with Huntington National Bank in which the District would lease, from Huntington National Bank, the Project Site and Project Facilities.

In return for the Ground Lease Agreement, Huntington National Bank agrees to make available \$2,000,000 for school facilities improvements. The term of the Ground Lease Agreement is 14 years and will end on December 31, 2025. As Lessee, Huntington National Bank made a one-time payment of \$1 to the District, which represents their leasehold interest in the Project Site over the term of the lease.

The Lease Agreement entered into between the same two parties had an initial lease term ending June 30, 2011. The Lease may be renewed by the Lessee (the District) annually for one year each through December 1, 2020. Each renewal shall be considered a new lease. Principal payments on each annual lease are in the amount of \$200,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Year	Amount
2015	\$ 250,700
2016	242,900
2017	235,100
2018	227,300
2019	219,500
2020 - 2021	415,600
	1,591,100
Less amount representing interest	(191,100)
Present Value of Minimum Lease Payments	\$1,400,000

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NOTE 10 - LONG-TERM OBLIGATIONS

During the fiscal year 2014, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2013	Additions	Deductions	Balance Outstanding June 30, 2014	Amount Due Within One Year
Governmental Activities:					
Bonds:					
2003 QZAB School Improvement Bonds	\$ 7,900,000	\$ 0	\$ 0	\$ 7,900,000	\$ 0
Other Long-Term Liabilities:					
Compensated Absences	1,237,843	178,942	(136,051)	1,280,734	125,652
Early Retirement Incentive Payable	60,000	0	(60,000)	0	0
Capital Lease	1,682,000	0	(282,000)	1,400,000	200,000
Total Other Long-Term Liabilities	<u>2,979,843</u>	<u>178,942</u>	<u>(478,051)</u>	<u>2,680,734</u>	<u>325,652</u>
<i>Total Long-Term Obligations</i>	<u>\$ 10,879,843</u>	<u>\$ 178,942</u>	<u>\$ (478,051)</u>	<u>\$ 10,580,734</u>	<u>\$ 325,652</u>

2003 QZAB School Improvement Bonds: During fiscal year 2003, the District issued \$7,900,000 in general obligation permanent improvement qualified zone academy bonds (QZABs) to be used for school building renovations and improvements. The QZAB's will be paid from the bond retirement fund. The QZABs mature in March 2018. The QZAB bonds will not be subject to redemption prior to maturity and no call provisions are offered. Since the bonds have been issued with a 0% interest rate, the bond owners will not receive interest income from the bonds. However, the owners of the bonds that are eligible taxpayers (generally banks, insurance companies, and corporations actively in the business of lending money) will receive income on the bonds in the form of an annual federal tax credit. The amount of the QZAB credit will be equal to the product of the QZAB credit rate or 5.66% multiplied by the principal amount of bonds owned on the credit allowance date, which is March 6, 2003 and each March 6 thereafter until maturity.

The principal requirement amounts do not total \$7,900,000. The District will be making annual sinking fund payments over a fifteen year period to Bank One Trust Company. This escrow agent will invest the sinking fund dollars at an interest rate that will generate at least \$1,974,094 over the loan period which is, the difference between the sinking payments and the bond principal. It is the assumption of the District that the money in the sinking fund will be invested and earn enough interest to allow the QZABs to be paid in full in March 2018.

Compensated Absences and Early Retirement Incentives: Compensated absences and early retirement incentives will be paid from the fund from which the employees' salaries are paid. Compensated absences will primarily be paid from the general fund.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 9 for detail.

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NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. There is no limit on the amount they may accumulate. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 258 days for classified personnel and 275 days for certified personnel. Upon retirement, payment is made to classified employees for one-third of the first 90 days plus 10% of the remaining balance up to the 250 days maximum and to certified employees for one-third of the first 105 days plus 10% of the remaining balance up to 265 days maximum. In no case shall a certified retiree receive less than 10 days, regardless of the number of sick days accumulated.

B. Life Insurance

The District provides term life insurance and accidental death and dismemberment insurance to all certified employees and to those classified employees working at least 22.5 hours per week through Fort Dearborn Life Insurance Company.

C. Health Insurance

During fiscal year 2009, the District joined the Jefferson Health Plan, formerly known as Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, self-insurance plan (see Note 20) for its medical and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000 per employee. The liability for unpaid claims of \$552,219 is reported in the internal service fund at June 30, 2014, in accordance with Governmental Accounting Standards Board Statement No. 10. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims	Claims Payments	Balance at Fiscal Year End
2013	\$ 547,760	\$ 5,080,046	\$ (5,075,929)	\$ 551,877
2014	551,877	5,269,822	(5,269,480)	552,219

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District contracted for various types of insurance through the Ohio School Insurance Program. Coverage provided is as follows:

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Types of Coverage	Coverage Amount
Property: All Building and Contents (\$1,000 deductible)	\$ 103,724,730
Flood: Field, Building and Contents (\$25,000 deductible)	1,000,000
Inland Marine Coverage (\$1,000 deductible)	1,800,000
Crime Insurance (\$500 deductible)	25,000
Automobile (\$1,000 deductible)	3,000,000
Uninsured (\$1,000 deductible)	1,000,000
General Liability (\$1,000 deductible)	
Per Occurrence	3,000,000
Total Per Year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

The District pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description – The District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% 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, 13.05% and .05% of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$449,935, \$406,413, and \$370,858, respectively; 76% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012.

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B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 of 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 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% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employer contributions. 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 \$1,414,832, \$1,211,879, and \$1,270,317, respectively; 82% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$46,107 made by the District and \$36,228 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

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NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. 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 SERS' website at 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% 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, .14% 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% 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 SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$66,646, \$48,899, and \$16,124, respectively; 76% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76% of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$26,103, \$22,958, and \$21,988, respectively; 76% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

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B. State Teachers Retirement System

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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

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, STRS Ohio allocated employer contributions equal to 1% 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 \$108,833, \$93,221, and \$97,717, respectively; 82% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balances-Budget (Non-GAAP Basis) and Actual, presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget and the fund financial statements are the following:

1. Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing sources are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balances (GAAP basis).
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General Fund
GAAP Basis	\$ (497,588)
Net adjustments for revenue accruals	111,206
Net adjustments for expenditure accruals	144,410
Funds budgeted elsewhere**	(28,467)
Adjustments for encumbrances	(348,191)
Budget Basis	\$ (618,630)

**As part of Governmental Accounting Standards Board No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support and termination benefits funds.

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the basic financial statements.

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For the Fiscal Year Ended June 30, 2014

NOTE 17 - SET-ASIDES

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

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

	Capital Improvement Reserve
Current Year Set-Aside Requirement	\$ 370,017
Current Year Qualifying Expenditures	(565,525)
Current Year Offset	(204,748)
Total	\$ (400,256)
 Balance Carried Forward to Fiscal Year 2015	 \$ 0
 Set-Aside Restricted Balance June 30, 2014	 \$ 0

The District had qualifying disbursements and offsets during the year that reduced the capital improvement set-asides below zero. This amount may not be used to reduce the set-aside requirement in future fiscal years. The negative balance is, therefore, not presented as being carried forward to future years.

NOTE 18 - COMMITMENTS

A. Construction Commitments

The following construction commitments at June 30, 2014 will be financed with capital project funds revenues:

	Contract Amount	Expenditures as of June 30, 2014	Amount Remaining on Contract
Roof Replacement	\$ 521,200	\$ 0	\$ 521,200

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

B. Other Commitments

The District utilizes 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 commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General	\$ 204,327
Nonmajor Governmental	722,891
	\$ 927,218

NOTE 19 - FUND BALANCE

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

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

	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	\$ 5,160,050	\$ 0	\$ 5,160,050
Capital Outlay	0	0	1,548,296	1,548,296
Food Services	0	0	348,084	348,084
Classroom Facilities Maintenance	0	0	1,282,147	1,282,147
Other Purposes	0	0	273,175	273,175
Total Restricted	0	5,160,050	3,451,702	8,611,752
Assigned for:				
Encumbrances				
Instruction	15,535	0	0	15,535
Support Services	188,530	0	0	188,530
Subsequent Year Appropriations	350,683	0	0	350,683
Public School Support	64,142	0	0	64,142
Total Assigned	618,890	0	0	618,890
Unassigned	595,438	0	(45,407)	550,031
Total Fund Balance	\$ 1,214,328	\$ 5,160,050	\$ 3,406,295	\$ 9,780,673

East Liverpool City School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 20 - CLAIMS SERVICING POOL

Jefferson Health Plan - The District began participating in the Jefferson Health Plan, formerly known as Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, self-insurance plan during the 2009 fiscal year, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. All participating members retain their risk and the Plan acts as the claims servicing agent.

October 30, 2014

To the Board of Education
East Liverpool City School District
Columbiana County, Ohio
810 West 8th Street
East Liverpool, OH 43920

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Liverpool City School District, Columbiana County, Ohio (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hea & Associates, Inc.

New Philadelphia, Ohio

October 30, 2014

To the Board of Education
East Liverpool City School District
Columbiana County, Ohio
810 West 8th Street
East Liverpool, OH 43920

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited East Liverpool City School District's, Columbiana County, Ohio (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hea & Associates, Inc.

New Philadelphia, Ohio

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Program Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through the Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	2014	10.553	\$183,976	\$183,976
National School Lunch Program	2014	10.555	651,129	651,129
Food Commodity Distribution (C)	2014	10.555	67,707	67,707
Total Child Nutrition Cluster (B)			902,812	902,812
Fresh Fruit and Vegetable Program	2013	10.582	0	38
Total U.S. Department of Agriculture			902,812	902,850
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through the Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education - Grants to States (IDEA Part B)	2013	84.027	141,820	134,937
	2014	84.027	566,311	522,525
Total Special Education - Grants to States (IDEA Part B)			708,131	657,462
Special Education - Preschool Grants	2013	84.173	2,201	2,900
	2014	84.173	25,231	23,613
Total Special Education - Preschool Grants			27,432	26,513
Total Special Education Cluster			735,563	683,975
Grants to Local Educational Agencies (Title I)	2013	84.010	351,956	365,309
	2014	84.010	1,078,597	1,095,955
School Improvement Sub A (Title I)	2013	84.010	0	270
	2014	84.010	156,374	161,628
Total Title I			1,586,927	1,623,162
Rural and Low Income (Title VI-B)	2011	84.358	30,651	12,623
	2013	84.358	38,291	39,122
Total Rural and Low Income (Title VI-B)			68,942	51,745
Improving Teacher Quality State Grants (Title II-A)	2013	84.367	137,497	146,833
	2014	84.367	130,556	123,077
Total Improving Teacher Quality State Grants (Title II-A)			268,053	269,910
Vocational Education - Basic Grants to State	2013	84.048	7,229	9,018
	2014	84.048	52,953	50,761
Total Vocational Education - Basic Grants to State			60,182	59,779
<i>Direct Award:</i>				
Impact Aid	2009	84.041	0	1,323
Total U.S. Department of Education			2,719,667	2,689,894
Totals			\$3,622,479	\$3,592,744

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

**East Liverpool City School District
Columbiana County, Ohio**

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2014*

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

Note B – Commingled Funds

Federal money is commingled with state subsidy reimbursements for the Child Nutrition Cluster. It is assumed federal moneys are expended first.

Note C – Food Donation Program

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note D – Ohio Bureau of Workers' Compensation

Ohio's workers' compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers' Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In May 2013, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio's workers' compensation system. Each employer's rebate reflected 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state. Using policy year 2011 as the base year for calculation, the District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the District's Schedule of Expenditures of Federal Awards.

Note E - Transfers

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from program year 2013 to 2014:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Amount</u>
84.010	School Improvement Sub A (Title I)	\$ 9,730
84.358	Rural and Low Income (Title VI-B)	1,114

East Liverpool City School District
Columbiana County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
June 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under § .510(a)?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster: Special Education - Grants to States (IDEA Part B) Special Education - Preschool Grants Title I	CFDA # 84.027 # 84.173 # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

East Liverpool City School District
Columbiana County, Ohio
Schedule of Findings and Questioned Costs (Continued)
OMB Circular A-133, Section .505
June 30, 2014

**2. FINDINGS RELATED TO THE 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

EAST LIVERPOOL CITY SCHOOL DISTRICT

COLUMBIANA 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 9, 2014**