



Dave Yost • Auditor of State



**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Finneytown Local School District  
Hamilton County  
8916 Fontainebleau Terrace  
Cincinnati, Ohio 45231

To the Board of Education:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

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

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**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 24, 2014

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Unaudited)**

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

**Financial Highlights**

Key financial highlights for 2013 are as follows:

- In total, Net Positions increased \$1.12 million or 20.1 percent.
- General revenues accounted for \$17.72 million in revenue or 82.9 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.66 million or 17.1 percent of total revenues of \$21.38 million.
- Total assets of governmental activities decreased by \$8.61 million as taxes receivable increased by \$0.42 million and cash and other receivables increased by \$4.35 million.
- The District had \$20.26 million in expenses related to governmental activities; only \$3.66 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$17.72 million were adequate to provide for these programs.
- As a major fund, the General Fund had \$17.57 million in revenues and \$17.41 million in expenditures. The General Fund's balance increased from \$3.81 to \$3.97 million.

**Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements.

The *Statement of Net Positions* and the *Statement of Activities* report information about the District as a financial whole and about its specific activities in a manner that helps to answer the question "Is the District better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private-sector corporations. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's Net Positions and changes in those assets. This change in Net Positions provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, current property tax laws, student enrollment trends, facility conditions, required educational programs and other factors in arriving at their conclusion regarding the overall health of the District.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

Analysis of the District's major fund is presented in the fund financial statements. Fund financial reports provide detailed information about the District's major fund – not the District as a whole. The General Fund is the only major fund of the District. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus only on the District's major fund.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Unaudited)  
(Continued)**

**Governmental Funds** All 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 difference) between governmental *activities* (reported in the Statement of Net Positions and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Fiduciary Funds** The District maintains two agency funds. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The Fiduciary funds are used to account for the financial resources that the District has agreed to hold or manage in an agent or fiduciary capacity.

**The District as a Whole**

The Statement of Net Positions provides the perspective of the District as a whole. Table 1 provides a summary of the District's Net Positions for 2013 compared to 2012:

(Table 1)  
Net Positions

	Governmental Activities		<u>% Change</u>
	2013	2012	
<b>Assets</b>			
Current and Other Assets	\$20,531,499	\$15,154,426	35.48%
Capital Assets	10,204,466	6,971,883	46.37%
Total Assets	\$30,735,965	\$22,126,309	38.91%

(Table 1)  
Net Positions (Continued)

	2013	2012	<u>% Change</u>
<b>Liabilities</b>			
Long-Term Liabilities	\$13,317,941	\$7,365,669	80.81%
Other Liabilities	10,751,126	9,210,756	16.72%
Total Liabilities	\$24,069,067	\$16,576,425	45.20%
Net Positions Invested in			
Capital Assets Net of Debt	\$ 1,028,922	\$ 705,397	45.86%
Restricted	1,902,079	1,389,562	36.88%
Unrestricted	3,735,897	3,454,925	8.13%
Total Net Positions	\$6,666,898	\$5,549,884	20.13%

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Unaudited)  
(Continued)**

Total assets increased \$8.61 million. Equity in pooled cash and investments increased \$4.42 million. Taxes receivable decreased \$0.42 million. Total liabilities increased \$7.49 million.

Table 2 shows the change in Net Positions for fiscal year 2013. Notable changes include: gains in operating grants and other revenues, reductions in property taxes and grants and entitlements, savings in pupil and instructional staff and in interest and fiscal charges, and increases in operations and maintenance costs.

Table 2  
Changes in Net Positions

	<u>Governmental Activities</u>		<u>% Change</u>
	<u>2013</u>	<u>2012</u>	
Program Revenues:			
Charges for Services	\$606,383	\$935,549	-35.18%
Operating Grants	3,053,370	3,478,779	-12.23%
Capital Grants	0	0	0.00%
General Revenue:			
Property Taxes	10,364,832	10,614,000	-2.35%
Grants and Entitlements	6,812,276	6,455,392	5.53%
Other	<u>539,993</u>	<u>493,161</u>	<u>9.50%</u>
Total Revenues	<u>\$21,376,854</u>	<u>\$21,976,881</u>	<u>-2.73%</u>
Program Expenses:			
Instruction	10,966,240	10,745,376	2.06%
Support Services:			
Pupil and Instructional Staff	1,694,317	2,730,247	-37.94%

Table 2  
Changes in Net Positions (Continued)

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Administration,			
Fiscal and Business	2,146,274	2,053,650	4.51%
Operations and Maintenance	1,575,020	1,921,739	-18.04%
Pupil Transportation	986,069	1,041,307	-5.30%
Central	242,391	240,315	0.86%
Operation of Non-Instructional	1,772,298	2,122,420	-16.50%
Extracurricular Activities	529,158	597,778	-11.48%
Interest and Fiscal Charges	<u>348,073</u>	<u>275,693</u>	<u>26.25%</u>
Total Expenses	<u>20,259,840</u>	<u>21,728,525</u>	<u>-6.76%</u>
Increase in Net Positions	<u>\$1,117,014</u>	<u>\$248,356</u>	

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Unaudited)  
(Continued)**

**Governmental Activities**

The District revenues are mainly from two sources. Property taxes levied for general, debt services and capital projects and grants and entitlements comprised eighty percent (80%) of the District's revenues for governmental activities.

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

Thus, Ohio districts dependent upon property taxes must periodically return to the voters to maintain a constant level of service in an inflationary environment. Property taxes made up forty-eight percent (48%) of revenue for governmental activities for the District in fiscal year 2013.

Instruction comprises fifty-four percent (54%) of governmental program expenses. Support services expenses were thirty-three percent (33%) of governmental program expenses. All other expenses, including interest expense, was thirteen percent (13%) of governmental program expenses. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

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

Table 3  
Governmental Activities

	Total Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2013</u>	Net Cost of Services <u>2012</u>
Instruction	\$10,966,240	\$10,745,376	(\$9,403,430)	(\$9,012,165)
Support Services:				
Pupil and Instructional Staff Administration,	1,694,317	2,730,247	(1,203,710)	(2,235,041)
Fiscal and Business	2,146,274	2,053,650	(2,146,274)	(2,053,650)
Operations and Maintenance	1,575,020	1,921,739	(1,554,990)	(1,901,603)
Pupil Transportation	986,069	1,041,307	(977,372)	(950,473)
Central	242,391	240,315	(236,991)	(233,745)
Operation of Non-Instructional	1,772,298	2,122,420	(304,896)	(250,531)
Extracurricular Activities	529,158	597,778	(424,351)	(401,296)
Interest and Fiscal Charges	<u>348,073</u>	<u>275,693</u>	<u>(348,073)</u>	<u>(275,693)</u>
Total Expenses	<u>\$20,259,840</u>	<u>\$21,728,525</u>	<u>(\$16,600,087)</u>	<u>(\$17,314,197)</u>

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Unaudited)  
(Continued)**

**The District's Funds**

Information about the District's major fund starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$27,598,166 and expenditures and other financing uses of \$24,031,371. The net change in fund balance for the year was an increase of \$3,562,795. This increase was primarily due to the impact of the activities within the General Fund, which are discussed in the next section.

In Ohio, property taxes are not permitted to grow with inflation. New property tax revenues can only be generated through new construction or voted increases. The District is 99% developed; consequently the possibility of new construction is low.

**General Fund Budgeting Highlights**

The General Fund excess of revenues over expenditures amounted to \$156,380. This surplus can be attributed to collection of a recently passed (May 2010) 7.95 mill continuing operating levy in combination with an extremely successful district Budget Reduction Plan. A major component of the Fiscal Responsibility Plan has been the reduction of the district's staffing levels in response to operational efficiencies and declining student enrollment. In fiscal year 2013, staffing levels totals were reduced another 4 percent from 178.6 to 173.4 full time equivalent staff.

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 2013, the District amended its general fund budget several times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the actual budget basis revenue was \$17,851,845, with an original budget estimate of \$17,447,570. The difference of \$404,275 represents a variance of 2.3%. The District's ending General Fund unobligated cash balance was \$3,029,341, with an original budget estimate of \$2,376,558, for a variance of \$652,783.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Unaudited)  
(Continued)**

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2013, the District had \$10.20 million invested in land, buildings and improvements, furniture and equipment and construction in progress. Table 4 shows fiscal 2013 balances compared to fiscal 2012:

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

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
Land	\$1,154,812	\$1,154,812
Buildings and Improvements	5,184,758	5,185,792
Furniture and Equipment	883,934	631,279
Construction in Progress	<u>2,980,962</u>	<u>0</u>
Total Net Capital Assets	<u>\$10,204,466</u>	<u>\$6,971,883</u>

District net capital assets increased by \$3.23 million in fiscal year 2013. The District reported \$3.78 million in acquisitions, retired \$0.08 million in capital assets, and recognized \$0.55 million in depreciation expense during the year. This District is committed to maintaining and improving its capital assets.

**Debt**

At June 30, 2013, the District had \$11,751,986 in general obligation bonds and \$381,000 in capital lease obligations outstanding. The amount due within one year on these obligations totals \$5,213,000. Table 5 summarizes total outstanding debt.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
General Obligation Bonds:		
1997 School Improvement	\$1,695,000	\$1,960,000
2010 Refunding Bonds	3,846,986	3,916,336
2012 Series HB264 Bonds	1,510,000	0
2013 Bond Antic Notes	<u>4,700,000</u>	<u>0</u>
Total General Obligation Bonds	\$11,751,986	\$5,876,336
Capital Lease Obligations	<u>381,000</u>	<u>427,000</u>
Total Debt Outstanding	<u>\$12,132,986</u>	<u>\$6,303,336</u>

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Unaudited)  
(Continued)**

At June 30, 2013, the District's overall legal debt margin was \$17,979,642 with an unvoted debt margin of \$199,744. In 1997 the District passed a 3.96 mill bond issue, providing \$8.7 million for renovation of all buildings throughout the district. In September 2010, the District simultaneously paid off and reissued, \$3.96 million in outstanding general obligation bonds, saving taxpayers \$1.11 million over the remaining 14-year life of the issue. The refunding lowered the interest cost from 5.80% to 3.48%. In July 2010, Standard & Poor's increased the district's bond rating from "A" to "AA". The District issued \$1,510,000 in Energy Conservation Improvement Bonds through a private placement on October 2, 2012. In 2012, the District passed a 15-year, 1.98 mill bond issue providing \$4,700,000 for renovation of all buildings throughout the district. In December 2012, Standard & Poor's assigned its "SP-1+" short-term rating to the district's school improvement bond anticipation notes and reaffirmed its long-term rating on the district's outstanding General Obligation Bonds.

**Economic Conditions and Outlook**

The District faces many opportunities and challenges. Among these include: the condition of local, state and national economies, a declining tax base, reductions in State funding for schools, and declining student enrollment.

Poor economic news on the local, state, national and international level will continue to create fear and impact the financial operations of all organizations. Recession, high unemployment and staggering levels of national and international debt continue to be major concerns. Depreciation of home values in our area continues to have an adverse impact on local tax collections.

The State of Ohio provides significant revenue to the District through its Foundation program. State of Ohio funding of primary and secondary education in the current biennium was reduced in response to an identified multi-billion dollar budget gap. The District saw its state funding cut \$870,000 beginning in fiscal year 2012. State funding has remained flat since that time.

The District has experienced a steady and consistent decline in student enrollment since the late 1990's. This decline appears to have bottomed out. Student enrollment has shown a slight increase each of the last two years. This trend is expected to continue in future years of the District's five year forecast.

The District was able to report its third straight operating surplus in fiscal year 2013, following passage of the district's recent May 2010 operating levy. This operating levy combined with District Budget Reduction Plan efforts should provide adequate funding for the next three years.

The District is working very hard to control expenditure growth while maintaining a first-class academic program. With continued careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**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 questions about this report or need additional financial information, contact David Oliverio, Treasurer at Finneytown Local School District, 8916 Fontainebleau Terrace, Cincinnati, Ohio 45231 or e-mail at [doliverio@finneytown.org](mailto:doliverio@finneytown.org).

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Finneytown Local School District  
Statement of Net Position  
June 30, 2013

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$7,904,530
Receivables:	
Taxes	11,464,561
Accounts	53,749
Intergovernmental	457,771
Prepays	608,563
Deferred Bond Issuance Costs	42,325
Nondepreciable Capital Assets	4,135,774
Depreciable Capital Assets, Net	6,068,692
<b>Total Assets</b>	<b>30,735,965</b>
Liabilities:	
Accounts Payable	14,242
Accrued Wages and Benefits	2,551,878
Accrued Interest Payable	56,795
Contracts Payable	1,021,954
Unearned Revenue	7,106,257
Long-Term Liabilities:	
Due Within One Year	5,673,386
Due In More Than One Year	7,644,555
<b>Total Liabilities</b>	<b>24,069,067</b>
Net Position:	
Net Investment in Capital Assets	1,028,922
Restricted for:	
Debt Service	1,037,426
Capital Projects	626,574
Athletic	95,021
Federal Grants	113,827
Other Purposes	29,231
Unrestricted	3,735,897
<b>Total Net Position</b>	<b>\$6,666,898</b>

See accompanying notes to the Basic Financial Statements.

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$6,669,772	\$339,388	\$27,006	(\$6,303,378)
Special	3,220,555	103,166	523,156	(2,594,233)
Vocational	19,046	0	103,166	84,120
Other	1,056,867	34,757	432,171	(589,939)
<b>Support Services:</b>				
Pupil	1,397,122	0	450,446	(946,676)
Instructional Staff	297,195	0	40,161	(257,034)
General Administration	36,433	0	0	(36,433)
School Administration	1,242,060	0	0	(1,242,060)
Fiscal	501,656	0	0	(501,656)
Business	366,125	0	0	(366,125)
Operations and Maintenance	1,575,020	20,030	0	(1,554,990)
Pupil Transportation	986,069	0	8,697	(977,372)
Central	242,391	0	5,400	(236,991)
Operation of Non-Instructional Services	1,772,298	4,235	1,463,167	(304,896)
Extracurricular Activities	529,158	104,807	0	(424,351)
Interest and Fiscal Charges	348,073	0	0	(348,073)
<b>Total Governmental Activities</b>	<b>\$20,259,840</b>	<b>\$606,383</b>	<b>\$3,053,370</b>	<b>(16,600,087)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	9,403,462
Debt Service Purposes	749,869
Capital Projects Purposes	211,501
Grants and Entitlements not Restricted to Specific Programs	6,812,276
Revenue in Lieu of Taxes	204,262
Unrestricted Contributions	68,281
Investment Earnings	14,507
Other Revenues	252,943

Total General Revenues 17,717,101

Change in Net Position 1,117,014

Net Position - Beginning of Year 5,549,884

Net Position - End of Year \$6,666,898

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2013

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$3,150,366	\$3,554,727	\$1,199,437	\$7,904,530
<b>Receivables:</b>				
Taxes	10,287,317	0	1,177,244	11,464,561
Accounts	51,714	0	2,035	53,749
Intergovernmental	210,000	0	247,771	457,771
Interfund	5,574	0	0	5,574
Prepays	0	608,563	0	608,563
<b>Total Assets</b>	<b>13,704,971</b>	<b>4,163,290</b>	<b>2,626,487</b>	<b>20,494,748</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	10,492	0	3,750	14,242
Accrued Wages and Benefits	2,430,767	0	121,111	2,551,878
Compensated Absences	391,251	0	0	391,251
Contracts Payable	0	1,021,954	0	1,021,954
Interfund Payable	0	0	5,574	5,574
Deferred Revenue	6,905,016	0	990,532	7,895,548
<b>Total Liabilities</b>	<b>9,737,526</b>	<b>1,021,954</b>	<b>1,120,967</b>	<b>11,880,447</b>
<b>Fund Balances:</b>				
Nonspendable	0	608,563	0	608,563
Restricted	0	2,532,773	1,549,911	4,082,684
Assigned	317,098	0	0	317,098
Unassigned	3,650,347	0	(44,391)	3,605,956
<b>Total Fund Balances</b>	<b>3,967,445</b>	<b>3,141,336</b>	<b>1,505,520</b>	<b>8,614,301</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$13,704,971</b>	<b>\$4,163,290</b>	<b>\$2,626,487</b>	<b>\$20,494,748</b>

See accompanying notes to the Basic Financial Statements.

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

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Total Governmental Fund Balance		\$8,614,301
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,204,466
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$603,304	
Intergovernmental	178,288	
Other	7,699	
		789,291
In the statement of net position interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(56,795)
Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(793,704)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		42,325
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		(12,132,986)
Net Position of Governmental Activities		<u>\$6,666,898</u>

See accompanying notes to the Basic Financial Statements.

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

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$9,455,509	\$0	\$945,152	\$10,400,661
Revenue in lieu of taxes	204,262	0	0	204,262
Tuition and Fees	442,760	0	2,987	445,747
Investment Earnings	10,162	4,168	177	14,507
Intergovernmental	7,173,507	200,000	2,470,854	9,844,361
Extracurricular Activities	8,923	0	97,133	106,056
Charges for Services	54,581	0	0	54,581
Other Revenues	220,989	63,171	29,364	313,524
<b>Total Revenues</b>	<b>17,570,693</b>	<b>267,339</b>	<b>3,545,667</b>	<b>21,383,699</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,606,690	0	34,410	6,641,100
Special	3,176,626	0	33,281	3,209,907
Vocational	17,351	0	0	17,351
Other	822,370	0	278,565	1,100,935
<b>Support Services:</b>				
Pupil	966,504	0	458,487	1,424,991
Instructional Staff	254,753	0	38,791	293,544
General Administration	36,433	0	0	36,433
School Administration	1,252,708	0	0	1,252,708
Fiscal	480,293	0	13,758	494,051
Business	400,339	0	0	400,339
Operations and Maintenance	1,529,767	0	3,925	1,533,692
Pupil Transportation	850,854	0	0	850,854
Central	233,100	0	5,400	238,500
Operation of Non-Instructional Services	119,186	0	1,664,921	1,784,107
Extracurricular Activities	361,255	0	137,391	498,646
Capital Outlay	258,567	3,312,366	0	3,570,933
<b>Debt Service:</b>				
Principal Retirement	0	0	391,000	391,000
Interest and Fiscal Charges	47,517	23,637	223,126	294,280
<b>Total Expenditures</b>	<b>17,414,313</b>	<b>3,336,003</b>	<b>3,283,055</b>	<b>24,033,371</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>156,380</b>	<b>(3,068,664)</b>	<b>262,612</b>	<b>(2,649,672)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	767	0	1,700	2,467
Proceeds of Long-Term Capital-Related Debt	0	6,210,000	0	6,210,000
Transfers In	0	0	2,000	2,000
Transfers (Out)	(2,000)	0	0	(2,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,233)</b>	<b>6,210,000</b>	<b>3,700</b>	<b>6,212,467</b>
<b>Net Change in Fund Balance</b>	<b>155,147</b>	<b>3,141,336</b>	<b>266,312</b>	<b>3,562,795</b>
<b>Fund Balance - Beginning of Year</b>	<b>3,812,298</b>	<b>0</b>	<b>1,239,208</b>	<b>5,051,506</b>
<b>Fund Balance - End of Year</b>	<b>\$3,967,445</b>	<b>\$3,141,336</b>	<b>\$1,505,520</b>	<b>\$8,614,301</b>

See accompanying notes to the Basic Financial Statements.

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

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Net Change in Fund Balance - Total Governmental Funds \$3,562,795

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

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$3,783,494	
Depreciation Expense	(546,860)	
		3,236,634

Governmental funds only report the disposal of assets to the  
 extent proceeds are received from the sale. In the statement  
 of activities, a gain or loss is reported for each disposal. The  
 amount of the proceeds must be removed and the gain or loss  
 on the disposal of capital assets must be recognized. This is the  
 amount of the difference between the proceeds and the gain or loss. (4,051)

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

Delinquent Property Taxes	(\$35,829)	
Intergovernmental	21,285	
Other	7,699	
		(6,845)

Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net position. 391,000

In the statement of activities interest expense is accrued when incurred,  
 whereas in governmental funds an interest expenditure is reported  
 when due. (37,168)

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	\$201,274	
Amortization of Bond Issuance Cost	(5,975)	
Amortization on Premium on Bonds Issued	12,308	
Bond Accretion	(22,958)	
		184,649

Proceeds from debt refunding issues are an other financing source in  
 the funds, but a debt issue increases long-term liabilities in the  
 statement of net position. (6,210,000)

Change in Net Position of Governmental Activities \$1,117,014

See accompanying notes to the Basic Financial Statements.

Finneytown Local School District  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2013

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$40,138</u>
Total Assets	<u><u>40,138</u></u>
Liabilities:	
Other Liabilities	<u>40,138</u>
Total Liabilities	<u><u>\$40,138</u></u>

See accompanying notes to the Basic Financial Statements.

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**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

The Finneytown Local School District (the "District") is a political body incorporated for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Finneytown Local School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. Total enrollment as of October 1, 2012 was 1,479. The District employed 108 certificated employees and 90 non-certificated employees. The District operated 3 schools – Brent Elementary (grades K-2), Whitaker Elementary (grades 3-6), and the Finneytown Secondary Campus (grades 7-12).

Management believes the financial statements included in this report represent all of the funds of the District for which the Board of Education is financially accountable.

**Reporting Entity**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

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

The following activities are included within the reporting entity:

Within the District boundaries, St. Xavier High School, St. Vivian Elementary School and Central Baptist Academy, are operated as private schools. Current State legislation provides funding to 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. For financial reporting purposes, activity is reflected in a special revenue fund.

The District is associated with four jointly governed organizations. These organizations include the Great Oaks Institute of Technology and Career Development, Hamilton/Clermont Cooperative Association/Computer Consortium, Unified Purchasing Cooperative of Ohio River Valley, and the Greater Cincinnati Insurance Consortium.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Measurement Focus**

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus.

All assets and liabilities associated with the operation of the District are included on the statement of Net Positions. Fiduciary Funds are not included in entity-wide statements.

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund the Building Fund are the District's two major governmental funds:

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund - The building fund is used to account for the receipts and expenditures related to all special bond funds in the district. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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

Fiduciary Funds

Fiduciary fund reporting focuses on Net Positions and changes in Net Positions. Fiduciary funds are classified as trust funds and agency funds. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include a student managed activity fund and a school-related support organization district agency fund.

**C. Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or 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.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available for advance, grants and investment earnings.

Deferred Revenue

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

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

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

Unearned Revenue

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities, to the extent used during the year, is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. To the extent unused donated commodities exist, they are reported as deferred 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. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

During fiscal year 2013, the School District's investments consisted of State Treasury Asset Reserve of Ohio (STAROhio).

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 Rule2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

STAR Plus is a cash management option accessible via the STAR Ohio program that provides a competitive yield on bank deposits in a network of carefully-selected FDIC-insured banks via a single account. Deposits are distributed by the Custodian to multiple banks in amounts not to exceed the Federal Deposit Insurance Corporation (FDIC) maximum amount (currently \$250,000). Participation is offered to subdivisions of the State of Ohio as defined in Section 135.45(F)(2)(a) of the Ohio Revised Code, who are also participants in the STAR Ohio local government investment pool, for the investment of public funds.

Following Ohio statutes, the District allocates interest earnings to funds as prescribed by Board resolution and required by law. Interest revenue during fiscal year 2013 amounted to \$14,507.

**E. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale, to the extent they are on hand at fiscal year end, and consumable supplies.

**F. Capital Assets**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand dollars (\$2,000). 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. Interest incurred during the construction of capital assets is also capitalized.

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings	40 years
Building Improvements	20 years
Equipment	5 - 20 years

**G. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation.

**H. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting payment method.

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

For governmental fund financial statements, the compensated absences is the amount due and payable. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	20-25 days per year depending on length of service	10-20 days per year depending upon length of service
Maximum Accumulation	Not Applicable	Up to 20 days from prior years; Payout option: up to 5 unused days/year	Three times annual award
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	230 days	245 or 260 days	230 days
Vested	As Earned; 7 years if hired after 7/1/13	As Earned; 7 years if hired after 7/1/13	As Earned
Termination Entitlement	¼ paid upon retirement; ½ paid if 1 <sup>st</sup> year retirement eligible	Severance based upon 32.43% of final contract salary; 62.16% if 1 <sup>st</sup> year retirement eligible	¼ paid upon retirement; ½ paid if 1 <sup>st</sup> year retirement eligible

**I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**J. Net Positions**

Net Positions represent the difference between assets and liabilities. Net Positions invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net Positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Positions are available.

**K. Interfund Activity**

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Fund Balance**

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

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

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

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

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

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

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted Net Positions are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**L. Estimates**

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

**3. CASH AND INVESTMENTS**

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

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

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. CASH AND INVESTMENTS (Continued)**

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

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

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

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

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.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**3. CASH AND INVESTMENTS (Continued)**

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2013, the carrying amount of the district's deposits was \$7,600,422 and the bank balance was \$7,881,759. Federal depository insurance covered \$6,896,638 of the bank balance and \$985,123 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments

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

<u>Investment Type</u>	<u>Book Value</u>	<u>Aggregate Credit Risk</u>	<u>Weighted Average Maturity (Years)</u>
STAR Ohio	\$344,260	100%	0.16
Total Fair Value	<u>\$344,260</u>	<u>100%</u>	<u>0.16</u>

Interest rate risk

It is the District's policy to manage its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio, by matching investment maturities to scheduled obligations and by maintaining desired liquidity objectives.

Credit risk

It is the District's policy to limit its investments, that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government, to investments which are rated at the time of purchase in the highest classification established by at least two (2) nationally recognized statistical rating organizations. The District's investments in STAR Ohio was rated AAAM by Standard & Poors.

Custodial credit risk

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 District requires that all purchased securities are either insured and registered in the name of the District or at least registered in the name of the District.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. CASH AND INVESTMENTS (Continued)**

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

**4. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes collected in 2013 were levied in April on assessed values as of the January 1, 2012 lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Public utility property taxes collected in 2013 were levied in April on assessed values as of the December 31, 2012 lien date. Public utility property taxes are assessed on real property at 35 percent of true value. Tangible personal property taxes have been phased out and are no longer collected in the state of Ohio.

Real property taxes are payable annually or semi-annually. In 2013, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th. Payments by multi-county tangible personal property taxpayers are due September 20th. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30th; if paid semiannually, the first payment is due April 30th, with the remainder payable by September 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2013. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2013. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2013, was \$3,600,000 for the General Fund, \$285,000 for the Bond Retirement Fund and \$80,000 for the Permanent Improvement Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2013 operations.

On a full accrual basis, collectible delinquent property taxes in the amount of \$603,305 have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. PROPERTY TAXES (Continued)**

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$192,473,160
Public Utility Personal	<u>7,300,640</u>
 Total	 <u>\$199,773,800</u>

**5. RECEIVABLES**

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

**6. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Government Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$1,154,812	0	0	\$1,154,812
Construction in Progress	<u>0</u>	<u>2,980,962</u>	<u>0</u>	<u>2,980,962</u>
Subtotal	1,154,812	2,980,962	0	4,135,774
<i>Capital assets being depreciated:</i>				
Buildings & Improvements	13,079,105	340,771	0	13,419,876
Equipment	<u>2,981,424</u>	<u>461,761</u>	<u>(8,432)</u>	<u>3,434,753</u>
Subtotal	16,060,529	802,532	(8,432)	16,854,629
 Totals at Historical Cost	 <u>\$17,215,341</u>	 <u>\$3,783,494</u>	 <u>(\$8,432)</u>	 <u>\$20,990,403</u>
<i>Less Accumulated Depreciation:</i>				
Buildings & Improvements	7,893,313	341,805	0	8,235,118
Equipment	<u>2,350,145</u>	<u>205,055</u>	<u>(4,381)</u>	<u>2,550,819</u>
 Total Accumulated Depreciation	 <u>\$10,243,458</u>	 <u>\$546,860</u>	 <u>(\$4,381)</u>	 <u>\$10,785,937</u>
 Governmental Activities Capital Assets, Net	 <u>\$6,971,883</u>	 <u>\$3,236,634</u>	 <u>(\$4,051)</u>	 <u>\$10,204,466</u>

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**6. CAPITAL ASSETS (Continued)**

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$123,993
Special	7,371
Vocational	1,695
Support Services:	
Pupil	1,140
School Administration	4,411
Treasurer	3,743
Business	19,128
Operations and Maintenance	40,876
Pupil Transportation	126,804
Central	3,624
Community Services	183,563
Extracurricular Activities	<u>30,512</u>
Total Depreciation Expense	<u>\$546,860</u>

**7. LEGAL DEBT MARGIN**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$17,979,642 and an unvoted debt margin of \$199,744.

The bond issue is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Payment of principal and interest relating to this liability is recorded as an expenditure in the Debt Service Fund.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. LONG-TERM LIABILITIES**

The change in the District's long-term obligations during the year consists of the following:

	<u>Rate</u>	<u>Maturity Dates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>							
<u>General Obligation Bonds:</u>							
1997 Series School Improvement Bonds							
Serial Bonds	5.68%	12/1/24	\$1,960,000	\$ 0	\$265,000	\$1,695,000	\$280,000
2010 Series Refunding Bonds							
Serial Bonds	3.48%	12/1/24	3,580,000	0	80,000	3,500,000	85,000
Capital Appreciation		12/1/20	200,000	0	0	200,000	0
Accretion of Interest		12/1/20	36,850	22,958	0	59,808	0
Premium		12/1/24	99,486	0	12,308	87,178	0
2012 Series HB264 Bonds	4.74%	12/1/27	0	1,510,000	0	1,510,000	100,000
2013 Bond Antic Notes	1.50%	10/30/13	0	4,700,000	0	4,700,000	4,700,000
			<u>6,197,714</u>	<u>6,232,958</u>	<u>357,308</u>	<u>11,751,986</u>	<u>5,165,000</u>
Total General Obligation Bonds							
Capital Lease Obligations	3.32%	1/1/20	<u>427,000</u>	<u>0</u>	<u>46,000</u>	<u>381,000</u>	<u>48,000</u>
Total Long-Term Liabilities			6,303,336	6,232,958	403,308	12,132,986	5,213,000
Compensated Absences			1,062,333	267,888	145,266	1,184,955	460,386
Total Governmental Activities			<u>\$7,365,669</u>	<u>\$ 6,500,846</u>	<u>\$548,574</u>	<u>\$13,317,941</u>	<u>\$5,673,386</u>

On August 3, 2010, the District current refunded \$3,960,000 in School Improvement Bonds that were originally issued for the purpose of new construction, improvements, renovations and additions to school facilities. The refunding lowered the interest cost from 5.80% to 3.48%. Of the \$3,960,000 issued, \$3,760,000 represents serial bonds and \$200,000 is capital appreciation bonds. The capital appreciation bonds for the 2010 issue mature on December 1, 2020. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$520,000. For fiscal year 2012, \$22,958 was accreted, for a total bond liability of \$259,808.

In August 2012, the District received authorization from the Ohio Schools Facility Commission to participate in the School Energy Conservation Financing Program pursuant to ORC 133.06. and authorization from the Ohio Department of Education to participate in Ohio's Qualified Zone Academy Bond (QZAB) Program pursuant to H.R. 2014, the Taxpayer Relief Act of 1997. The District subsequently issued \$1,510,000 in Energy Conservation Improvement Bonds through a private placement on October 2, 2012. The bonds mature on December 1, 2027. The District will repay debt and interest payments from the General Fund via the reduced energy cost, increased operational efficiency and QZAB interest subsidy.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. LONG-TERM LIABILITIES (Continued)**

On November 6, 2012, District voters approved a 15-year, 1.98 mill bond issue providing \$4,700,000 to improve building security and replace failing roofs, aging and inefficient HVAC (heating, ventilation and air conditioning) systems, and deteriorating parking lots and driveways. School Improvement Bond Anticipation Notes in the amount of \$4,700,000 were issued on January 15, 2013. The School Improvement Bond Anticipation Notes matured on October 30, 2013. Collection of bond fund tax receipts began in January 2013.

Except for the Energy Conservation Bonds previously noted, all other general obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid or the Termination Benefits Fund (Fund 035). Capital lease obligations will be paid from the permanent improvement fund.

The District's Board of Education has approved a Retirement Assistance Plan. Participation is open to employees that agree to retire at the end of the school year in which they first become eligible (as determined by the retirement system). Employees that qualify will receive a severance per diem stipend of fifty percent (50%) of accumulated unused sick leave. Administrative employees that qualify receive 62.16% of their final contract salary. The year end liability is paid out in two installments—September 2012 and July 2013. Employees not qualifying for the Retirement Assistance Program receive twenty-five percent (25%) of accumulated sick leave paid September 2012. Administrative employees that do not qualify receive 32.43% of their final contract salary. This liability is included in the Compensated Absences portion of the table above.

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

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$5,165,000	\$342,774	\$5,507,774	\$ 0	\$ 0	\$ 0
2015	480,000	263,162	743,162	0	0	0
2016	500,000	238,222	738,222	0	0	0
2017	525,000	210,782	735,782	0	0	0
2018	550,000	181,727	731,727	0	0	0
2019-2023	\$2,546,000	\$586,796	\$3,132,796	200,000	320,000	520,000
2024-2028	\$1,639,000	\$121,417	\$1,760,417	0	0	0
<b>Total</b>	<u>\$11,405,000</u>	<u>\$1,944,879</u>	<u>\$13,349,879</u>	<u>\$200,000</u>	<u>\$320,000</u>	<u>\$520,000</u>

In July 2010, Standard & Poor's increased the district's bond rating from "A" to "AA". In December 2012, Standard & Poor's assigned its "SP-1+" short-term rating to the district's school improvement bond anticipation notes and reaffirmed its long-term rating on the district's outstanding General Obligation Bonds.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. CAPITAL LEASES – LESSEE DISCLOSURE**

In fiscal year 2004, the District entered into a lease-purchase agreement for the construction of gymnasium bleachers, a bus garage/maintenance building and middle school elevator. In fiscal year 2008, the District amended the lease-purchase agreement to replace the bus garage building portion of the Original Project with the acquisition and improvement of real property, including demolition, site improvements and construction of an access drive. The School District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned U.S. Bank as trustee. The lease is renewable annually and expires in 2019. The intention of the District is to renew the lease annually.

The District makes semi-annual lease payments from the Permanent Improvement Fund to U.S. Bank Corporate Trust Services. The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 3.745% plus an annual administrative fee not to exceed .15%. The letter of credit fee was increased by 20 basis points effective in 1/1/2012. In fiscal year 2013, the District made the scheduled principal payment of \$46,000. The principal amount owed on the lease at fiscal year-end is \$381,000.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2013.

Fiscal Year Ending June 30,	Total Payments
2014	63,628
2015	63,629
2016	63,489
2017	63,209
2018	63,789
2019 - 2020	<u>126,629</u>
Total	\$443,373
Less: Amount Representing Interest (3.745%)	(57,482)
Less: Additional Program Cost Components	<u>(4,891)</u>
Present Value of Minimum Lease Payments	<u>\$381,000</u>

**10. 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 on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**10. PENSION PLANS (Continued)**

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$379,560, \$413,856, and \$448,800, respectively, which equaled the required contributions each year.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and the other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. Additional information or copies of the STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. PENSION PLANS (Continued)**

DB Plan Benefits

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

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the member's account balance.

Combined Benefit Plans

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

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

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**10. PENSION PLANS (Continued)**

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$1,108,200, \$1,157,832, and \$1,209,552, respectively; 83.5% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**C. Social Security System**

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

**11. POST EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description

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

Medicare Part B Plan

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**11. POST EMPLOYMENT BENEFITS (Continued)**

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was .74%. District contributions for the year ended June 30, 2013, 2012 and 2011 were \$20,062, \$22,171, and \$24,364, respectively, which equaled the required contributions.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$48,023, \$69,799, and \$102,751, respectively.

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

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

**B. State Teachers Retirement System**

Plan Description

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**11. POST EMPLOYMENT BENEFITS (Continued)**

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$11,082, \$11,578, and \$12,096, respectively; 83.9% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

**12. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2013.

**B. Litigation**

The School District is not a party to legal proceedings.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**13. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2013, the District contracted with Ohio Casualty for property, boiler and machinery insurance and for general liability insurance.

The District maintains blanket building and contents insurance coverage on its assets with a \$43,645,946 limit of liability and a \$1000 deductible. Vehicles have a \$500 deductible for comprehensive, \$500 deductible for collision and a \$1,000,000 single limited liability. Settlement amounts have not exceeded insurance coverage for any of the past three fiscal years.

The District maintains general liability insurance with limits of \$1,000,000 each occurrence, \$2,000,000 aggregate. The District also has \$1,000,000 umbrella liability coverage over both general and automobile liability limits.

Public officials bond insurance is provided by the Ohio Casualty Insurance Company. The Treasurer and Director of Administrative Services are covered by bonds in the amounts \$20,000 each. Treasurer Office and Athletic Department employees are covered by \$5,000 bonds. The Cafeteria manager is covered by a \$3,000 bond. For fiscal year 2012 the District provided employee medical/surgical benefits through the Greater Cincinnati, Insurance Consortium.

**14. JOINTLY GOVERNED ORGANIZATIONS**

*Great Oaks Institute of Career Technology and Development* - The Great Oaks Institute of Career Technology and Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. Great Oaks possesses its own budgeting and taxing authority. To obtain financial information, contact Rob Giuffré, Treasurer, Great Oaks Institute of Career Technology and Development, 3254 East Kemper Road, Cincinnati, Ohio 45241.

*Hamilton/Clermont Cooperative Association* – The District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA), a regional Information Technology Center (ITC) established by the state of Ohio. H/CCA is a member of the Ohio Educational Computer Network. H/CCA provides data and Internet services for public and non-public schools in the Greater Cincinnati Metropolitan Area. The governing board of H/CCA consists of the superintendents and treasurers of the participating members. To obtain financial information, contact David Horine, Director, H/CCA, 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

*Unified Purchasing Cooperative of Ohio River Valley* - The Unified Purchasing Cooperative of Ohio River Valley is a jointly governed organization among a two-county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office, and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*Greater Cincinnati Insurance Consortium* – The District participates as a member of the Greater Cincinnati Insurance Consortium (GCIC), a shared risk pool, comprised of twelve Hamilton County school districts and the Hamilton County Educational Service Center. The purpose of the consortium is to establish and maintain a fund to provide and/or purchase health insurance, dental insurance, life insurance and other insurance benefits for employees, their dependents and designated beneficiaries. The consortium is governed by a Board of Directors consisting of one (1) representative selected from each participating district and the educational service center.

Each member pays an administrative fee to the pool. The Consortium converted from a fully-insured consortium through an independent third party insurance company to a self-funded insurance consortium with stop loss insurance coverage effective July 1, 2007. Anthem Blue Cross Blue Shield provides claim review and processing.

**15. SET-ASIDE CALCULATIONS**

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

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2012	\$ 0
Current Year Set-aside Requirement	244,900
Qualified Disbursements	(510,680)
Current Year Offsets	<u>(258,847)</u>
Total	<u>\$(524,627)</u>
Set-Aside Reserve Balance as of June 30, 2013	\$ <u>0</u>
Cumulative Surplus Spending Credit	
Carried Forward to FY 2014	\$ <u>0</u>

For fiscal year ended June 30, 2013, the School District was not required to set aside funds in the budget reserve set-aside. Although the District had qualifying disbursements and offsets during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**16. FUND BALANCES**

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

Fund Balances	General	Building	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Prepays	\$0	\$608,563	\$0	\$608,563
<b>Total Nonspendable</b>	<b>0</b>	<b>608,563</b>	<b>0</b>	<b>608,563</b>
<b>Restricted for:</b>				
Other Grant Funds	0	0	9,854	9,854
Athletic	0	0	95,021	95,021
Auxiliary Services	0	0	4,152	4,152
Vocational Education Enhancement	0	0	1	1
Race to the Top	0	0	3,738	3,738
Perkins Vocational	0	0	871	871
Improving Teacher Quality	0	0	491	491
Food Service	0	0	19,376	19,376
Debt Service	0	0	1,045,610	1,045,610
Building	0	2,532,773	0	2,532,773
Permanent Improvement	0	0	370,797	370,797
<b>Total Restricted</b>	<b>0</b>	<b>2,532,773</b>	<b>1,549,911</b>	<b>4,082,684</b>
<b>Assigned to:</b>				
Budgetary Resource	306,387	0	0	306,387
Public School Support	10,711	0	0	10,711
<b>Total Assigned</b>	<b>317,098</b>	<b>0</b>	<b>0</b>	<b>317,098</b>
<b>Unassigned (Deficit)</b>	<b>3,650,347</b>	<b>0</b>	<b>(44,391)</b>	<b>3,605,956</b>
<b>Total Fund Balance</b>	<b>\$3,967,445</b>	<b>\$3,141,336</b>	<b>\$1,505,520</b>	<b>\$8,614,301</b>

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**17. ACCOUNTABILITY**

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

<b>Fund</b>	<b><u>Amounts</u></b>
Special Revenue Funds:	
Special Education	\$17,210
Title I	27,181

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

**18. CONSTRUCTION AND COMMITMENTS**

Listed below are the District's contracts that had outstanding balances at year end:

Garland Company	\$2,504,893
SHP Architects	38,280
Trane	138,913
Total	<b><u>\$2,682,086</u></b>

**19. SUBSEQUENT EVENT**

School Improvement Bond Issuance

On October 29, 2013, the district issued \$4,500,000 in School Improvement Bonds through a private placement. These bonds were issued under Ohio's Qualified Zone Academy Bond (QZAB) Program, pursuant to H.R. 2014, the Taxpayer Relief Act of 1997. The proceeds from the bond issue were used to retire \$4,700,000 in district School Improvement Bond Anticipation Notes, maturing on October 30, 2013. District voters approved a 15-year, 1.98 mill bond issue to raise \$4,700,000 for new construction, improvements, renovations and additions to school facilities, furnishings, equipment and site improvements on November 6, 2012.

**20. CHANGE IN ACCOUNTING PRINCIPLES**

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

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

	General Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$9,628,382	\$9,844,157	\$9,851,480	\$7,323
Revenue in lieu of taxes	199,636	204,110	204,262	152
Tuition and Fees	370,114	378,408	378,690	282
Investment Earnings	9,932	10,154	10,162	8
Intergovernmental	7,011,055	7,168,174	7,173,507	5,333
Charges for Services	53,345	54,540	54,581	41
Other Revenues	175,106	179,030	179,163	133
<b>Total Revenues</b>	<b>17,447,570</b>	<b>17,838,573</b>	<b>17,851,845</b>	<b>13,272</b>
Expenditures:				
Current:				
Instruction:				
Regular	6,564,946	6,508,978	6,471,215	37,763
Special	3,180,423	3,153,309	3,135,014	18,295
Vocational	39,195	38,860	38,635	225
Other	828,956	821,889	817,121	4,768
Support Services:				
Pupil	941,454	933,427	928,012	5,415
Instructional Staff	246,794	244,690	243,270	1,420
General Administration	37,148	36,832	36,618	214
School Administration	1,165,511	1,155,574	1,148,870	6,704
Fiscal	491,527	487,336	484,509	2,827
Business	403,567	400,126	397,805	2,321
Operations and Maintenance	1,553,209	1,539,967	1,531,033	8,934
Pupil Transportation	870,385	862,965	857,958	5,007
Central	235,405	233,398	232,044	1,354
Operation of Non-Instructional Services	123,731	122,676	121,964	712
Extracurricular Activities	378,236	375,012	372,836	2,176
Capital Outlay	262,312	260,076	258,567	1,509
Debt Service:				
Interest and Fiscal Charges	48,205	47,794	47,517	277
<b>Total Expenditures</b>	<b>17,371,004</b>	<b>17,222,909</b>	<b>17,122,988</b>	<b>99,921</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>76,566</b>	<b>615,664</b>	<b>728,857</b>	<b>113,193</b>
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	750	766	767	1
Advances In	11,728	11,991	12,000	9
Advances (Out)	(12,174)	(12,070)	(12,000)	70
Transfers (Out)	(2,029)	(2,012)	(2,000)	12
<b>Total Other Financing Sources (Uses)</b>	<b>(1,725)</b>	<b>(1,325)</b>	<b>(1,233)</b>	<b>92</b>
<b>Net Change in Fund Balance</b>	<b>74,841</b>	<b>614,339</b>	<b>727,624</b>	<b>113,285</b>
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	2,301,717	2,301,717	2,301,717	0
<b>Fund Balance - End of Year</b>	<b>\$2,376,558</b>	<b>\$2,916,056</b>	<b>\$3,029,341</b>	<b>\$113,285</b>

See accompanying notes to the Basic Financial Statements.

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**1. BUDGETARY PROCESS**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modification at this level may only be made by resolution of the Board of Education.

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

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

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Schedule 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 basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**1. BUDGETARY PROCESS (Continued)**

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

	<u>General Fund</u>
GAAP Basis	\$155,147
Adjustments:	
Revenue Accruals	281,122
Expenditure Accruals	291,325
Advances In	12,000
Advances Out	(12,000)
Funds Budgeted Elsewhere	<u>40</u>
Budget Basis	<u>\$ 727,624</u>

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**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
<u>Special Education Cluster</u>			
Special Education Grants to State (IDEA Part B)	84.027	\$524,479	\$519,912
Special Education Preschool Grants	84.173	9,548	9,548
Total Special Education Cluster		<u>534,027</u>	<u>529,460</u>
Title I Cluster	84.010	279,216	284,830
Education Jobs	84.410	85,324	85,326
Improving Teacher Quality Grants (Title II-A)	84.367	37,911	37,324
Race to the Top	84.395	17,666	15,038
<i>Passed Through Great Oaks Institute of Technology and Career Development</i>			
Vocational Education Basic Grants to States	84.048	4,100	3,229
Total U.S. Department of Education		<u>958,244</u>	<u>955,207</u>
<b>Total Federal Awards Expenditures</b>		<u><b>\$958,244</b></u>	<u><b>\$955,207</b></u>

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

Finneytown Local School District  
Hamilton County  
8916 Fontainebleau Terrace  
Cincinnati, Ohio 45231

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Finneytown Local School District, Hamilton County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 24, 2014.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242  
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 24, 2014



# Dave Yost • Auditor of State

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

Finneytown Local School District  
Hamilton County  
8916 Fontainebleau Terrace  
Cincinnati, Ohio 45231

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Finneytown Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Finneytown Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on the Major Federal Program***

In our opinion, the Finneytown Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 24, 2014

**FINNEYTOWN LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Cluster CFDA #84.010 and 84.389
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Finneytown Local School District  
Hamilton County  
8916 Fontainebleau Terrace  
Cincinnati, Ohio 45231

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on April 16, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 24, 2014

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# Dave Yost • Auditor of State

**FINNEYTOWN LOCAL SCHOOL DISTRICT**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 8, 2014**