

**Ashland City  
School District**  
*Financial Statements*

*June 30, 2009*





Mary Taylor, CPA  
Auditor of State

Board of Education  
Ashland City School District  
P. O. Box 160  
416 Arthur Street  
Ashland, Ohio 44805

We have reviewed the *Independent Auditor's Report* of the Ashland City School District, Ashland County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 16, 2010

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# ASHLAND CITY SCHOOL DISTRICT

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**ASHLAND CITY SCHOOL DISTRICT**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 31, 2009

The Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Ashland City School District (the School District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Rea & Associates, Inc.*

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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The discussion and analysis of the Ashland City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2009 are as follows:

- General Revenues accounted for \$30,689,376 in revenue or 84 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,856,439 or 16 percent of total revenues of \$36,545,815.
- Total program expenses were \$36,282,576.
- In total, net assets increased \$263,239, which represents less than a 1.6 percent increase from 2008.
- Outstanding debt increased from \$1,180,000 to \$4,404,000 through the issuance of new debt.

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

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The government-wide financial statements begin on page 12.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and permanent improvement fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and permanent improvement fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 14.

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

The proprietary fund financial statements begin on page 19.

**Fiduciary Funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used to proprietary funds.

The fiduciary fund financial statements begin on page 22.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

**Table 1**  
**Net Assets**  
**Governmental Activities**

	2009	Restated 2008
<b>Assets</b>		
Current and Other Assets	\$ 26,415,932	\$ 28,713,508
Capital Assets	11,597,629	8,016,265
<i>Total Assets</i>	<i>38,013,561</i>	<i>36,729,773</i>
<b>Liabilities</b>		
Other Liabilities	14,815,437	17,070,838
Long-Term Liabilities	6,798,320	3,522,370
<i>Total Liabilities</i>	<i>21,613,757</i>	<i>20,593,208</i>
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	7,193,629	6,931,265
Restricted	1,160,288	1,595,585
Unrestricted (Deficit)	8,045,887	7,609,715
<i>Total Net Assets</i>	<i>\$ 16,399,804</i>	<i>\$ 16,136,565</i>

Total assets increased by \$1,283,788. This is primarily a net result of an increase in capital assets due to the H.B. 264 project and a \$1,377,202 decrease in taxes receivable. The net assets of the School District's governmental activities increased \$263,239 due to the increase in assets. The net increase in liabilities is primarily due to an increase in long term debt due to the issuance of energy conservation bonds and a decrease in deferred revenue due to a decrease in taxes receivable.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

Table 2 shows the changes in net assets for fiscal year 2009 and 2008.

**Table 2**  
**Change in Net Assets**  
**Governmental Activities**

	2009	Restated 2008
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,967,509	\$ 2,005,774
Operating Grants, Contributions and Interest	3,882,308	2,901,337
Capital Grants and Contributions	6,622	17,100
<i>General Revenue:</i>		
Property Taxes	15,830,914	12,199,554
Grants and Entitlements	14,219,627	13,829,673
Investment Earnings	253,280	668,853
Miscellaneous	385,555	364,741
<b>Total Revenues</b>	<b>36,545,815</b>	<b>31,987,032</b>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	14,523,891	14,032,609
Special	3,969,256	3,948,307
Vocational	1,014,708	913,672
Student Invervention Services	271,767	0
Other	1,551,283	1,722,904
<i>Support Services:</i>		
Pupils	1,596,657	1,654,365
Instructional Staff	2,062,108	1,918,642
Board of Education	163,313	221,949
Administration	2,675,869	2,632,715
Fiscal	809,387	826,121
Business	468,538	433,077
Operation and Maintenance of Plant	2,980,807	2,772,600
Pupil Transportation	1,109,116	1,178,462
Central	301,765	287,160
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,414,276	1,382,181
Community Services	234,441	212,565
Extracurricular Activities	974,580	922,944
Interest and Fiscal Charges	160,814	76,263
<b>Total Expenses</b>	<b>36,282,576</b>	<b>35,136,536</b>
<b>Change in Net Assets</b>	<b>263,239</b>	<b>(3,149,504)</b>
<b>Net Assets Beginning of Year</b>	<b>16,136,565</b>	<b>19,286,069</b>
<b>Net Assets End of Year</b>	<b>\$ 16,399,804</b>	<b>\$ 16,136,565</b>

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

**Governmental Activities**

The vast majority of revenues supporting governmental activities are general revenues. General revenues increased from \$27,062,821 in fiscal year 2008 to \$30,689,376 in fiscal year 2009. The primary source of this increase was an increase in property tax revenue.

A review of Table 2 shows that the total cost of instructional services was \$21,330,905 or 58.8 percent of governmental program expenses. Instructional expenses increased \$713,413 from fiscal year 2008 to 2009. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil.

The expense for support services total \$12,167,560 or 33.5 percent of total revenues. Support services consist of pupil services and instructional staff which include the activities involved in assisting staff and the content and process of teaching to pupils, along with Board of education, administration, fiscal and business classifications which reflect expenses associates with establishing and administering school policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2009 and 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Total and Net Cost of Program Services**  
**Governmental Activities**

	2009	Restated 2008	2009	Restated 2008
	Total Cost of Service	Total Cost of Service	Net Cost of Service	Net Cost of Service
<b>Instruction:</b>				
Regular	\$ 14,523,891	\$ 14,032,609	\$ (13,475,218)	\$ (13,160,584)
Special	3,969,256	3,948,307	(2,274,129)	(2,882,438)
Vocational	1,014,708	913,672	(891,225)	(794,736)
Student Intervention Services	271,767	0	(271,767)	0
Other	1,551,283	1,722,904	(1,551,283)	(1,722,904)
<b>Support Services:</b>				
Pupils	1,596,657	1,654,365	(1,523,853)	(1,576,214)
Instructional Staff	2,062,108	1,918,642	(1,450,266)	(1,517,022)
Board of Education	163,313	221,949	(163,313)	(221,949)
Administration	2,675,869	2,632,715	(2,366,742)	(2,329,905)
Fiscal	809,387	826,121	(809,387)	(826,121)
Business	468,538	433,077	(428,036)	(369,506)
Operation and Maintenance of Plant	2,980,807	2,772,600	(2,980,807)	(2,767,085)
Pupil Transportation	1,109,116	1,178,462	(1,055,092)	(1,107,339)
Central	301,765	287,160	(270,140)	(240,512)
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	1,414,276	1,382,181	(79,493)	(85,957)
Community Services	234,441	212,565	(45,906)	(937)
Extracurricular Activities	974,580	922,944	(628,666)	(532,853)
Interest and Fiscal Charges	160,814	76,263	(160,814)	(76,263)
<b>Total</b>	<b>\$ 36,282,576</b>	<b>\$ 35,136,536</b>	<b>\$ (30,426,137)</b>	<b>\$ (30,212,325)</b>

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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Program revenues include charges for services, grants and contributions that are program specific. Property taxes made up 43.3 percent of total revenues for governmental activities for the School District in fiscal year 2009. Program revenues for governmental activities provided 16 percent of governmental revenues with 84 percent of all governmental activities supported through property taxes, grants and entitlements and other general revenues. The grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

***Governmental Funds***

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting.

All governmental funds had total revenues, including other financing sources, of \$40,863,187 and expenditures, including other financing uses of \$40,164,407 for fiscal year 2009.

***General Fund***

The School District's general fund balance increased \$615,811 primarily due to decreased deferred revenue, which was a result of a increase in the amount of property taxes available for advance to the School District at year end.

***Permanent Improvement Fund***

The School District's permanent improvement fund balance increased by \$175,014. Energy conservation notes in the amount of \$3,800,000 were issued during the fiscal year.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2009, the School District did modify its general fund estimated resources and appropriations. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue, including other financing sources of \$30,958,522 was \$462,917 under the original budget estimate of \$31,421,439. The majority of this decrease is due to an overestimation of property taxes. Final appropriations, including other financing uses of \$32,638,025 were \$1,853,647 greater than the \$30,784,378 in the original appropriations. This increase is mainly attributable to an increase in the appropriations for salaries and wages.

Final appropriations, including other financing uses of \$32,638,025 were \$1,853,647 greater than the \$30,784,378 in the original appropriations. This increase is mainly attributable to an increase in the appropriations for salaries and wages. Actual expenditures, including other financing uses, totaled \$31,730,954, which was higher than the original budget amount of \$30,784,378 by \$946,576.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2009, the School District had \$11,597,629 invested in land, buildings, equipment, vehicles and infrastructure. Table 4 shows fiscal year 2009 balances compared with 2008.

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

	<u>2009</u>	<u>2008</u>
Land	\$ 757,979	\$ 757,979
Land Improvements	193,165	135,307
Buildings	8,202,074	4,533,673
Furniture, Fixtures and Equipment	1,553,183	1,586,940
Vehicles	<u>891,228</u>	<u>1,002,366</u>
<i>Totals</i>	<u>\$ 11,597,629</u>	<u>\$ 8,016,265</u>

The \$3,581,364 increase in capital assets was attributable to the H.B. 264 energy conservation project. See Note 9 for additional information.

***Set-asides***

Senate Bill 345 requires the School District to set aside \$166.95 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2009, this amounted to \$567,216 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for both set asides.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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**Debt**

At June 30, 2009, the School District had \$4,404,000 in bonds outstanding with \$1,012,829 due within one year. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt, at June 30**  
**Governmental Activities**

	<u>2009</u>	<u>2008</u>
Library Improvement Bonds	\$ 0	\$ 95,000
H.B. 264 Energy Conservation Bonds	3,800,000	0
Land Purchase Loan	109,000	120,000
Certificates of Participation	<u>495,000</u>	<u>965,000</u>
Total	<u>\$ 4,404,000</u>	<u>\$ 1,180,000</u>

During fiscal year 1986, the School District issued \$2,177,000 in bonds, the proceeds of which were used to renovate the Ashland Public Library. During fiscal year 1997, the School District issued Certificates of Participation in the amount of \$4,605,000 and simultaneously entered into a trust and lease agreement to make payments on the Certificates. The proceeds of this issue were used for the construction of additions to two existing elementary schools. In fiscal year 2002, a loan in the amount of \$178,000 was issued to purchase land that was intended to be used as the site of a new school building. During fiscal year 2009, the School District issued bonds in the amount of \$3,800,000 to perform various upgrades to the buildings throughout the School District.

***Current Issues Affecting Financial Condition***

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In December 2003, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The Court directed the Governor and the legislature to address the fundamental issue creating the inequities.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Gina Roop, Treasurer of Ashland City School District, 416 Arthur Street, Ashland, OH 44805.

**Ashland City School District**

*Statement of Net Assets*

*June 30, 2009*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 10,470,104
Cash and Cash Equivalents with Fiscal Agent	460,508
Investments in Segregated Accounts	202,829
Receivables:	
Taxes	14,932,678
Accounts	86,225
Intergovernmental	166,068
Prepaid Items	97,520
Nondepreciable Capital Assets	757,979
Depreciable Capital Assets (Net)	<u>10,839,650</u>
<i>Total Assets</i>	<u>38,013,561</u>
<b>Liabilities</b>	
Accounts Payable	83,178
Accrued Wages and Benefits	2,952,570
Accrued Interest Payable	55,417
Intergovernmental Payable	984,426
Deferred Revenue	10,528,993
Claims Payable	210,853
Long Term Liabilities:	
Due Within One Year	1,012,829
Due In More Than One Year	<u>5,785,491</u>
<i>Total Liabilities</i>	<u>21,613,757</u>
<b>Net Assets</b>	
Invested in Capital Assets	7,193,629
Restricted for:	
Capital Outlay	272,039
Debt Service	464,974
Permanent Fund Purpose - Scholarships	
Nonexpendable	228,378
Other Purposes	194,897
Unrestricted	<u>8,045,887</u>
<i>Total Net Assets</i>	<u>\$ 16,399,804</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 14,523,891	\$ 894,548	\$ 154,125	\$ 0	\$ (13,475,218)
Special	3,969,256	29,247	1,665,880	0	(2,274,129)
Vocational	1,014,708	0	123,483	0	(891,225)
Student Intervention Services	271,767	0	0	0	(271,767)
Other	1,551,283	0	0	0	(1,551,283)
Support Services:					
Pupils	1,596,657	0	72,804	0	(1,523,853)
Instructional Staff	2,062,108	416	611,426	0	(1,450,266)
Board of Education	163,313	0	0	0	(163,313)
Administration	2,675,869	64,839	244,288	0	(2,366,742)
Fiscal	809,387	0	0	0	(809,387)
Business	468,538	24,439	16,063	0	(428,036)
Operation and Maintenance of Plant	2,980,807	0	0	0	(2,980,807)
Pupil Transportation	1,109,116	34,649	12,753	6,622	(1,055,092)
Central	301,765	0	31,625	0	(270,140)
Operation of Non-Instructional Services:					
Food Service Operations	1,414,276	585,440	749,343	0	(79,493)
Community Services	234,441	0	188,535	0	(45,906)
Extracurricular Activities	974,580	333,931	11,983	0	(628,666)
Interest and Fiscal Charges	160,814	0	0	0	(160,814)
<b>Total Governmental Activities</b>	<b>\$ 36,282,576</b>	<b>\$ 1,967,509</b>	<b>\$ 3,882,308</b>	<b>\$ 6,622</b>	<b>(30,426,137)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					15,388,145
Capital Outlay					442,769
Grants and Entitlements not Restricted to Specific Programs					14,219,627
Investment Earnings					253,280
Miscellaneous					385,555
<b>Total General Revenues</b>					<b>30,689,376</b>
<b>Change in Net Assets</b>					<b>263,239</b>
<b>Net Assets Beginning of Year - Restated (See Note 3)</b>					<b>16,136,565</b>
<b>Net Assets End of Year</b>					<b>\$ 16,399,804</b>

See accompanying notes to the basic financial statements.

**Ashland City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2009*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 7,605,134	\$ 146,255	\$ 857,808	\$ 8,609,197
Cash and Cash Equivalents with Fiscal Agent	0	0	460,508	460,508
Investments in Segregated Accounts	0	0	202,829	202,829
Receivables:				
Taxes	14,505,999	426,679	0	14,932,678
Accounts	85,525	0	700	86,225
Interfund	45,885	0	0	45,885
Intergovernmental	23,347	0	142,721	166,068
Prepaid Items	97,520	0	0	97,520
<i>Total Assets</i>	<u>\$ 22,363,410</u>	<u>\$ 572,934</u>	<u>\$ 1,664,566</u>	<u>\$ 24,600,910</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 36,155	\$ 45	\$ 46,978	\$ 83,178
Accrued Wages and Benefits	2,683,160	0	268,264	2,951,424
Interfund Payable	0	0	45,885	45,885
Intergovernmental Payable	912,736	0	70,137	982,873
Deferred Revenue	10,918,852	320,480	142,721	11,382,053
<i>Total Liabilities</i>	<u>14,550,903</u>	<u>320,525</u>	<u>573,985</u>	<u>15,445,413</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	128,709	51,458	80,170	260,337
Reserved for Contributions	0	0	202,829	202,829
Reserved for Property Taxes	3,610,494	106,199	0	3,716,693
Unreserved, Undesignated, Reported in:				
General Fund	4,073,304	0	0	4,073,304
Special Revenue Funds	0	0	261,642	261,642
Debt Service Fund	0	0	520,391	520,391
Capital Projects Funds	0	94,752	0	94,752
Permanent Funds	0	0	25,549	25,549
<i>Total Fund Balances</i>	<u>7,812,507</u>	<u>252,409</u>	<u>1,090,581</u>	<u>9,155,497</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 22,363,410</u>	<u>\$ 572,934</u>	<u>\$ 1,664,566</u>	<u>\$ 24,600,910</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2009*

<b>Total Governmental Fund Balances</b>		\$ 9,155,497
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,597,629
Delinquent property taxes are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$ 686,992	
Tuition and Fees	23,347	
Intergovernmental	142,721	
Total		853,060
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,647,355
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(55,417)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Energy Conservation Bonds	(3,800,000)	
Loans Payable	(109,000)	
Certificates of Participation	(495,000)	
Compensated Absences	(2,394,320)	
Total		(6,798,320)
<i>Net Assets of Governmental Activities</i>		<u>\$ 16,399,804</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2009*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 15,767,011	\$ 455,496	\$ 0	\$ 16,222,507
Intergovernmental	14,918,422	116,817	2,873,265	17,908,504
Investment Income	230,524	0	11,385	241,909
Tuition and Fees	864,173	0	104,858	969,031
Extracurricular Activities	63,273	0	339,262	402,535
Rentals	9,307	0	0	9,307
Charges for Services	37,100	0	607,717	644,817
Contributions and Donations	0	0	47,503	47,503
Miscellaneous	368,433	0	16,810	385,243
<i>Total Revenues</i>	<u>32,258,243</u>	<u>572,313</u>	<u>4,000,800</u>	<u>36,831,356</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,026,960	10,752	253,828	14,291,540
Special	3,197,017	0	739,610	3,936,627
Vocational	1,016,483	0	0	1,016,483
Student Intervention Services	271,767	0	0	271,767
Other	1,567,694	0	0	1,567,694
Support Services:				
Pupils	1,501,473	0	61,624	1,563,097
Instructional Staff	1,201,972	18,926	779,961	2,000,859
Board of Education	163,313	0	0	163,313
Administration	2,284,452	0	300,901	2,585,353
Fiscal	775,474	10,027	0	785,501
Business	342,731	0	122,278	465,009
Operation and Maintenance of Plant	2,664,857	140,563	12,311	2,817,731
Pupil Transportation	921,119	1,711	65,220	988,050
Central	253,158	6,814	36,863	296,835
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,373,767	1,373,767
Community Services	0	12,900	218,104	231,004
Extracurricular Activities	627,329	50,769	258,709	936,807
Capital Outlay	27,511	3,927,788	0	3,955,299
Debt Service:				
Principal Retirement	470,000	11,000	95,000	576,000
Interest and Fiscal Charges	97,915	6,049	6,188	110,152
<i>Total Expenditures</i>	<u>31,411,225</u>	<u>4,197,299</u>	<u>4,324,364</u>	<u>39,932,888</u>
<i>Excess of Revenues Under Expenditures</i>	<u>847,018</u>	<u>(3,624,986)</u>	<u>(323,564)</u>	<u>(3,101,532)</u>
<b>Other Financing Sources (Uses)</b>				
Energy Conservation Notes Issued	0	3,800,000	0	3,800,000
Proceeds from Sales of Capital Assets	312	0	0	312
Transfers In	0	0	231,519	231,519
Transfers Out	(231,519)	0	0	(231,519)
<i>Total Other Financing Sources (Uses)</i>	<u>(231,207)</u>	<u>3,800,000</u>	<u>231,519</u>	<u>3,800,312</u>
<i>Net Change in Fund Balance</i>	615,811	175,014	(92,045)	698,780
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>7,196,696</u>	<u>77,395</u>	<u>1,182,626</u>	<u>8,456,717</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,812,507</u>	<u>\$ 252,409</u>	<u>\$ 1,090,581</u>	<u>\$ 9,155,497</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 698,780

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

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

Capital Asset Additions	\$ 3,955,299	
Current Year Depreciation	<u>(373,935)</u>	3,581,364

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

Delinquent Property Taxes	(391,593)	
Charges for Services	(19,706)	
Tuition and Fees	(37,288)	
Extracurricular	(1,186)	
Grants	<u>142,721</u>	(307,052)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 576,000

Energy conservation bonds issued in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues. (3,800,000)

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. (50,662)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (382,930)

Compensated absences 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. (52,261)

*Change in Net Assets of Governmental Activities* \$ 263,239

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
 General Fund  
 For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 14,799,340	\$ 14,424,760	\$ 14,424,760	\$ 0
Intergovernmental	14,990,916	14,924,660	14,924,660	0
Investment Income	224,746	211,609	223,753	12,144
Tuition and Fees	789,682	786,192	786,192	0
Extracurricular Activities	63,554	63,103	63,273	170
Rentals	7,412	7,379	7,379	0
Charges for Services	37,265	37,100	37,100	0
Miscellaneous	364,499	359,694	362,888	3,194
<i>Total Revenues</i>	<u>31,277,414</u>	<u>30,814,497</u>	<u>30,830,005</u>	<u>15,508</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	13,835,163	14,192,458	14,006,926	185,532
Special	3,113,325	3,336,930	3,151,977	184,953
Vocational	929,148	972,899	940,683	32,216
Student Intervention Services	268,434	309,107	271,767	37,340
Other	1,589,556	1,609,290	1,609,290	0
Support Services				
Pupils	1,481,087	1,547,794	1,499,475	48,319
Instructional Staff	1,180,621	1,243,282	1,195,278	48,004
Board of Education	179,970	194,069	182,204	11,865
Administration	2,280,355	2,354,010	2,308,665	45,345
Fiscal	763,690	797,741	773,171	24,570
Business	330,009	347,396	334,106	13,290
Operation and Maintenance of Plant	2,667,707	2,754,752	2,700,826	53,926
Pupil Transportation	943,684	1,145,171	955,400	189,771
Central	260,795	277,614	264,033	13,581
Extracurricular Activities	649,778	676,204	657,845	18,359
Capital Outlay	27,174	27,511	27,511	0
Debt Service:				
Principal Retirement	470,000	470,000	470,000	0
Interest and Fiscal Charges	97,915	97,915	97,915	0
<i>Total Expenditures</i>	<u>30,500,496</u>	<u>32,354,143</u>	<u>31,447,072</u>	<u>907,071</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>776,918</u>	<u>(1,539,646)</u>	<u>(617,067)</u>	<u>922,579</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	312	312	312	0
Refund of Prior Year Expenditures	24,558	24,558	24,558	0
Refund of Prior Year Receipts	(6,478)	(6,478)	(6,478)	0
Advances In	119,155	119,155	119,155	0
Advances Out	(45,885)	(45,885)	(45,885)	0
Transfers Out	(231,519)	(231,519)	(231,519)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(139,857)</u>	<u>(139,857)</u>	<u>(139,857)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	637,061	(1,679,503)	(756,924)	922,579
<i>Fund Balance Beginning of Year</i>	<u>8,207,575</u>	<u>8,207,575</u>	<u>8,207,575</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 8,844,636</u>	<u>\$ 6,528,072</u>	<u>\$ 7,450,651</u>	<u>\$ 922,579</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2009*

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	Governmental Activities - Internal Service Fund
<b>Current Assets</b>	
Equity in Pooled Cash and Investments	\$ 1,860,907
<b>Current Liabilities</b>	
Accrued Wages and Benefits	1,146
Intergovernmental Payable	1,553
Claims Payable	210,853
<i>Total Liabilities</i>	213,552
<b>Net Assets</b>	
Unrestricted	\$ 1,647,355

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2009*

	Governmental Activities - Internal Service Fund
<b>Operating Revenue</b>	
Charges for Services	\$ 3,898,495
Other	53,042
<i>Total Operating Revenues</i>	3,951,537
<b>Operating Expenses</b>	
Salaries	105,740
Fringe benefits	26,368
Purchased Services	595,215
Claims	3,628,345
<i>Total Operating Expenses</i>	4,355,668
<i>Operating Loss</i>	(404,131)
<b>Non-Operating Revenue</b>	
Interest	21,201
<i>Change in Net Assets</i>	(382,930)
<i>Net Assets Beginning of Year</i>	2,030,285
<i>Net Assets End of Year</i>	\$ 1,647,355

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2009

	<u>Governmental Activities - Internal Service Fund</u>
<i><b>Increase in Cash and Cash Equivalents</b></i>	
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 3,898,495
Cash Received from Other Operating Sources	53,042
Cash Paid for Goods and Services	(595,215)
Cash Paid to Employees for Services	(105,740)
Cash Paid to Employees for Benefits	(25,768)
Cash Paid for Claims	<u>(3,641,220)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(416,406)</u>
<b>Cash Flows From Investing Activities</b>	
Interest on Investments	<u>21,201</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(395,205)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,256,112</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 1,860,907</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	\$ (404,131)
Adjustments:	
Increase (Decrease) in Liabilities:	
Accrued Wages and Benefits	964
Intergovernmental Payable	(53)
Compensated Absences Payable	(311)
Claims Payable	<u>(12,875)</u>
<i>Total Adjustments</i>	<u>(12,275)</u>
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ (416,406)</u></u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2009*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 12,354	\$ 48,157
<b>Liabilities</b>		
Accounts Payable	\$ 493	\$ 549
Due to Students	0	47,608
<i>Total Liabilities</i>	493	\$ 48,157
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 11,861	

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*June 30, 2009*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 6,479
Investment Earnings	467
<i>Total Assets</i>	6,946
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	5,888
<i>Change in Net Assets</i>	1,058
<i>Net Assets Beginning of Year</i>	10,803
<i>Net Assets End of Year</i>	\$ 11,861

See accompanying notes and accountant's compilation report.

**Ashland City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 143 non-certificated employees and 287 certificated employees, which provides services to 3,637 students and other community members.

***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with the Tri-County Computer Service Association (TCCSA), which is defined as a jointly governed organization. A jointly governed 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. Information regarding this organization is presented in Note 15.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and its internal service funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

***B. Fund Accounting***

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

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

**Permanent Improvement Fund** The permanent improvement fund receives property taxes for the acquisition, construction or improvement of capital facilities.

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

**Proprietary Funds** Proprietary funds focus on the determination of changes in net asset, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

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

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

**C. Measurement Focus**

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

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

**E. Budgetary Process**

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

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 and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

**F. Cash and Cash Equivalents**

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

During fiscal year 2009, investments were limited to STAROhio, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank notes, Federal National Mortgage Association notes, money market and stock certificates.

In previous fiscal years, the School District received donated stocks, which are reported in a permanent endowment fund as "Investments in Segregated Accounts". The stocks are carried at fair value and are not to be sold. The dividends are used for expenditures of this fund.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a4 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$230,524, which includes \$85,370 assigned from other School District funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Capital Assets**

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	8 years
Buildings	40 years
Furniture, Fixtures and Equipment	5-8 years
Vehicles	10 years

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***I. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” Long-term interfund loans (advances are classified as “advances from other funds” and “advances to other funds”. These amounts are eliminated in the governmental activities column of the statement of net assets.

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee’s wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy.

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

***K. Accrued Liabilities and Long-Term Obligations***

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

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

***L. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2009, none of the School District’s net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***M. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves have been established for encumbrances, property taxes and contributions.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***N. Interfund Activity***

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

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

***Q. 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.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***R. Changes in Accounting Principles***

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, “*Land and Other Real Estate Held as Investments by Endowments*”, GASB Statement No. 55, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”, and GASB Statement No. 56, “*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*”.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**Note 3 – Restatement of Fund Balances / Net Assets**

In the prior year, accrued wages and benefits were understated by \$633,509 due to accrued benefits not being recorded. As a result, fund balances and net assets have been restated as follows:

	<u>General</u>	<u>Other Governmental</u>	<u>Governmental Activities</u>
Previously Reported Fund Balances/Net Assets at 6/30/08	\$ 7,756,107	\$ 1,256,724	\$ 16,770,074
Accrued Wages and Benefits	<u>(559,411)</u>	<u>(74,098)</u>	<u>(633,509)</u>
Restated Fund Balances/Net Assets at 7/1/08	<u>\$ 7,196,696</u>	<u>\$ 1,182,626</u>	<u>\$ 16,136,565</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 4 – Accountability**

Fund balances at June 30, 2009 included the following individual fund deficits:

Food Service	\$ 186,723
Miscellaneous Local Grants	5,473
Management Information System	172
Entry Year Program	134
Drug Free Schools	201
Miscellaneous Federal Grants	937

The special revenue deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 5 - Budgetary Basis of Accounting (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund:

**Net Change in Fund Balance**

	General
GAAP Basis	\$ 615,811
Net Adjustment for Revenue Accruals	(1,403,680)
Advances In	119,155
Net Adjustment for Expenditure Accruals	109,178
Advances Out	(45,885)
Adjustment for Encumbrances	(151,503)
Budget Basis	\$ (756,924)

**Note 6 - Deposits and Investments**

State statute classifies monies held by the School District into three categories.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 6 - Deposits and Investments (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2009, the School District and public depositories complied with the provisions of these statutes.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

**Note 6 - Deposits and Investments (Continued)**

***Deposits with Financial Institutions***

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

At fiscal year-end, the carrying amount of the School District's deposits was \$1,535,117 which includes \$3,050 of cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2009, \$1,123,404 of the School District's bank balance of \$1,965,667 was exposed to custodial risk as discussed above, while \$842,263 was covered by Federal Deposit Insurance Corporation.

***Investments***

As of June 30, 2009, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	More than 24 Months
Federal Home Loan Mortgage Corporation	\$ 2,108,985	\$ 0	\$ 0	\$ 0	\$ 2,108,985	\$ 0
Federal National Mortgage Association	2,188,628	0	0	0	0	2,188,628
Federal Home Loan Bank	1,004,690	0	0	0	0	1,004,690
Money Market	460,508	460,508	0	0	0	0
STAROhio	3,693,195	3,693,195	0	0	0	0
<b>Total Investments</b>	<b>\$ 9,456,006</b>	<b>\$ 4,153,703</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,108,985</b>	<b>\$ 3,193,318</b>

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

***Credit Risk.*** The School District's investments in FHLMC, FNMA and FHLB were rated AAA by Standard and Poor's. STAROhio has been given an AAA rating by Standard & Poor's. The money market is unrated.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

**Note 6 - Deposits and Investments (Continued)**

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal Home Loan Mortgage Corporation	\$ 2,108,985	22.30%
Federal National Mortgage Association	2,188,628	23.15%
Federal Home Loan Bank	1,004,690	10.62%
Money Market	460,508	4.87%
STAROhio	3,693,195	39.06%
	<u>\$ 9,456,006</u>	<u>100.00%</u>

**Investments – Permanent Endowment Fund**

As of June 30, the School District’s permanent endowment fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Stocks:		
Alcatel - Lucent	\$ 449	0.22%
AT&T	98,665	48.64%
ComCast	10,816	5.33%
Exelon	34,259	16.89%
Fairpoint	776	0.38%
LSI Corp.	2,727	1.34%
NCR Corp.	1,775	0.88%
Qwest	2,407	1.19%
Teradata	2,410	1.19%
Verizon	34,571	17.04%
Vodafone	13,974	6.89%
Total	<u>\$ 202,829</u>	<u>100.00%</u>

These investments were donated in a prior year and the principal amount is non-expendable.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2009 represents collections of calendar 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State Law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Ashland and Richland Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

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**Note 7 - Property Taxes (Continued)**

The amount available as an advance at June 30, 2009 was \$3,610,494 in the general fund and \$106,199 in the permanent improvement fund. The amount available as an advance at June 30, 2008, was \$2,268,243 in the general fund and \$70,152 in the permanent improvement fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 429,668,400	89.44%	\$ 453,575,790	93.53%
Public Utility Personal	13,852,110	2.88%	14,045,300	2.90%
Tangible Personal Property	36,884,584	7.68%	17,347,318	3.58%
Total Assessed Values	\$ 480,405,094	100.00%	\$ 484,968,408	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 62.25		\$ 62.25	

**Note 8 - Receivables**

Receivables at June 30, 2009, consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal Funds. All receivables are expected to be collected within one year.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance 06/30/2008	Additions	Deletions	Balance 06/30/2009
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated</i>				
Land	\$ 757,979	\$ 0	\$ 0	\$ 757,979
<i>Capital Assets being depreciated</i>				
Land Improvements	457,358	61,990	0	519,348
Buildings and Improvements	15,424,545	3,851,625	0	19,276,170
Furniture, Fixtures and Equipment	4,315,094	41,684	0	4,356,778
Vehicles	1,816,072	0	0	1,816,072
<i>Total Capital Assets Being Depreciated</i>	<u>22,013,069</u>	<u>3,955,299</u>	<u>0</u>	<u>25,968,368</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(322,051)	(4,132)	0	(326,183)
Buildings and Improvements	(10,890,872)	(183,224)	0	(11,074,096)
Furniture, Fixtures and Equipment	(2,728,154)	(75,441)	0	(2,803,595)
Vehicles	(813,706)	(111,138)	0	(924,844)
<i>Total Accumulated Depreciation</i>	<u>(14,754,783)</u>	<u>(373,935) *</u>	<u>0</u>	<u>(15,128,718)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>7,258,286</u>	<u>3,581,364</u>	<u>0</u>	<u>10,839,650</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 8,016,265</u>	<u>\$ 3,581,364</u>	<u>\$ 0</u>	<u>\$ 11,597,629</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

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**Note 9 - Capital Assets (Continued)**

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

Instruction:		
Regular	\$	73,092
Special		9,261
Vocational		823
Support Services:		
Instructional Staff		19,702
Administration		5,573
Fiscal		1,096
Operation and Maintenance of Plant		117,086
Pupil Transportation		101,224
Operation of Non-Instructional Services:		
Food Service Operations		16,001
Community Services		970
Extracurricular Activities		29,107
<i>Total Depreciation</i>	\$	373,935

**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$210,853, reported in the fund at year end, was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$70,000 per employee.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 10 - Risk Management (Continued)**

Changes in fund's claims liability for the fiscal years 2009 and 2008 are as follows:

		<u>Balance</u> <u>Beginning of Year</u>		<u>Current</u> <u>Year Claims</u>		<u>Claims</u> <u>Payments</u>		<u>Balance</u> <u>End of Year</u>
2008	\$	589,347	\$	3,082,230	\$	3,447,849	\$	223,728
2009	\$	223,728	\$	3,628,345	\$	3,641,220	\$	210,853

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

**Note 11 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's contributions to SERS for the years ended June 30, 2009, 2008 and 2007 were \$364,196, \$358,606 and \$391,762, respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 11 - Defined Benefit Pension Plans (Continued)**

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$2,140,156, \$1,999,370 and \$1,859,275, respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$31,237 made by the School District and \$82,130 made by the plan members.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 11 - Defined Benefit Pension Plans (Continued)**

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security of the School Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 12 - Postemployment Benefits**

***A. School Employees Retirement System***

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.91 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$166,673, \$215,377, and \$152,100, respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$30,049, \$25,838, and \$24,439, respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

**Note 12 - Postemployment Benefits (Continued)**

***B. State Teachers Retirement System***

Plan Description - The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State Statute. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008 (the latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$164,627, \$153,798, and \$143,021, respectively; 84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2008 and 2007.

**Note 13 - Long-Term Obligations**

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Library Improvement Bonds	8.75%	\$ 2,177,000	December 1, 2008
H.B. 264 Energy Conservation Bonds	3.50%	3,800,000	December 1, 2023
Certificates of Participation	2.30% to 3.00%	4,605,000	July 1, 2017
Land Purchase Loan	4.50% to 5.10%	178,000	December 1, 2009

Changes in long-term obligations of the School District during fiscal year 2009 were as follows:

	Outstanding 06/30/2008	Additions	Deductions	Outstanding 06/30/2009	Due Within One Year
<b><i>Governmental Activities</i></b>					
Library Improvement Bonds	\$ 95,000	\$ 0	\$ (95,000)	\$ 0	\$ 0
H.B. 264 Energy Conservation Bonds	0	3,800,000	0	3,800,000	196,031
Certificates of Participation	965,000	0	(470,000)	495,000	495,000
Land Purchase Loan	120,000	0	(11,000)	109,000	11,000
Compensated Absences	2,342,370	620,163	(568,213)	2,394,320	310,798
<b><i>Total Governmental Activities</i></b>					
<b><i>Long-Term Obligations</i></b>	<b>\$ 3,522,370</b>	<b>\$ 4,420,163</b>	<b>\$(1,144,213)</b>	<b>\$ 6,798,320</b>	<b>\$ 1,012,829</b>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

**Note 13 - Long-Term Obligations (Continued)**

**Library Improvement Bonds** During fiscal year 1985, the School District issued bonds for improving the Ashland Public Library. The repayment of the debt is from property tax revenue received in the bond retirement debt service fund.

**House Bill 264 Energy Conservation Bonds** During the fiscal year, the School District issued \$3,800,000 of bonds for the purpose performing various upgrades to the buildings throughout the School District. The repayment of this debt is from property tax revenue received in the general fund.

**Certificates of Participation** Certificates of Participation were issued during fiscal year 1997. Concurrently, the School District entered into a trust and lease agreement to make base rent payments for the face value of the Certificates. The agreements were for the School District to sublease additions to two existing elementary schools, which were constructed using the proceeds from the Certificates.

The renewal of the lease and disbursement of rent payments are subject to appropriations made by the School District's Board from the general fund.

**Land Purchase Loan** During fiscal year 2003, the School District entered into a loan to purchase land adjacent to the high school for future expansion. The repayment is from the permanent improvement fund and subject to appropriations made by the School District's Board.

Compensated absences are typically paid from the fund from which the employee is paid. In prior years this has primarily been the general fund. Capital lease obligations are typically paid from the general fund.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2009 are as follows:

Fiscal Year	Certificates of Participation		Land Purchase Loan		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 495,000	\$ 12,622	\$ 11,000	\$ 5,609	\$ 196,031	\$ 129,569
2011	0	0	12,000	5,064	203,014	122,586
2012	0	0	13,000	4,467	210,246	115,354
2013	0	0	13,000	3,824	217,736	107,864
2014	0	0	14,000	3,138	225,492	100,108
2015-2019	0	0	46,000	5,015	1,253,832	374,170
2020-2024	0	0	0	0	1,493,649	134,351
Total	<u>\$ 495,000</u>	<u>\$ 12,622</u>	<u>\$ 109,000</u>	<u>\$ 27,117</u>	<u>\$ 3,800,000</u>	<u>\$ 1,084,002</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 14 – Interfund Balances and Transfers**

**A. Interfund Balances**

Interfund Balances at June 30, 2009, consist of the following:

	Interfund Receivable	Interfund Payable
General	\$ 45,885	\$ 0
Food Service	0	45,885
Total	\$ 45,885	\$ 45,885

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances are expected to be repaid during fiscal year 2010.

**B. Interfund Transfers**

During fiscal year 2009, the general fund transferred \$224,267 and \$7,252 to the uniform school supplies fund and the student activities fund, respectively, to cover operating expenses.

**Note 15 - Jointly Governed Organization**

Tri-County Computer Service Association (TCCSA) is a jointly governed organization comprised of 23 school districts, created as a regional council of governments pursuant to State statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each country from which participating districts are located. Financial information can be obtained by contacting the Treasurer of the Tri-County Education Service Center, located in Wooster, Ohio which serves as fiscal agent.

**Note 16 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

**Note 16 - Set-Asides (Continued)**

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

	Textbooks	Capital Improvements
Set-aside Reserved Balance as of June 30, 2008	\$ (1,069,480)	\$ 0
Current Year Set-aside Requirement	567,216	567,216
Current Year Offsets	0	(4,336,266)
Qualifying Disbursements	(567,922)	0
Totals	\$ (1,070,186)	\$ (3,769,050)
Set-aside Balance Carried		
Forward to Future Fiscal Years	\$ (1,070,186)	\$ 0
Set-aside Reserve Balance as of June 30, 2009	\$ 0	\$ 0

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirements of future fiscal years. The School District had qualifying offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside.

**Note 17 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

**B. Litigation**

The School District is not party to any claims or lawsuits that would have a material effect on the basic financial statements.



## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 31, 2009

To the Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

We have audited the financial statements of Ashland City School District, Ashland County, Ohio, (the School District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Ashland City School District  
Report on Internal Control over Financial Reporting and on Compliance  
And Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards*  
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain immaterial control deficiencies that we have reported to the management of the School District in a separate letter dated December 31, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, however, we noted certain noncompliance and other matters that we reported to the management of the School District in a separate letter dated December 31, 2009.

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

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

December 31, 2009

To the Board of Education  
Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

#### Compliance

We have audited the compliance of Ashland City School District, Ashland County, Ohio, (the School District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

As described in item 2009-01 in the accompanying Schedule of Findings and Questioned Costs, Ashland City School District did not comply with requirements regarding excess accumulation of federal funds not spent within a reasonable period of time of the request guidelines that are applicable to the IDEA Part B grant. Compliance with such requirements is necessary, in our opinion, for Ashland City School District to comply with requirements applicable to that program.

In our opinion, except for the non compliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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 that might be significant deficiencies or material weaknesses. We did identify one deficiency in internal control over compliance that we consider to be a material weaknesses, as disclosed in the accompanying Schedule of Findings and Questioned Costs as item 2009-01.

Ashland City School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Ashland City School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*

**ASHLAND CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>				
Title I	84.010	2008	\$ 4,000	\$ 0
Title I	84.010	2008	54,071	0
Title I	84.010	2009	34,838	34,838
Title I	84.010	2009	582,362	489,035
Total Title I			675,271	523,873
<i>Special Education Cluster</i>				
IDEA-B	84.027	2008	12,752	12,768
IDEA-B	84.027	2008	172,941	100,000
IDEA-B	84.027	2009	865,381	721,468
Total IDEA-B			1,051,074	834,236
Preschool Grants	84.173	2009	3,000	3,000
Total Preschool Grants			3,000	3,000
<i>Total Special Education Cluster</i>			1,054,074	837,236
Safe and Drug-Free Schools and Communities	84.186	2008	0	1,327
Safe and Drug-Free Schools and Communities	84.186	2009	23,207	23,207
Total Safe and Drug-Free Schools and Communities			23,207	24,534
Title V	84.298	2009	6,923	6,805
Total Title V			6,923	6,805
Title II-D	84.318	2009	10,250	10,250
Total Title II-D			10,250	10,250
Title II-A	84.367	2008	2,404	442
Title II-A	84.367	2009	202,505	158,794
Total Title II-A			204,909	159,236
Total Department of Education			1,974,634	1,561,934
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>				
<i>Child Nutrition Cluster</i>				
Cash Assistance:				
School Breakfast Program	10.553	2009	119,772	119,772
Total School Breakfast Program			119,772	119,772
Non-Cash Assistance:				
National School Lunch Program	10.555	2009	69,120	69,120
Cash Assistance:				
National School Lunch Program	10.555	2009	542,517	542,517
Total National School Lunch Program			611,637	611,637
<i>Total Child Nutrition Cluster</i>			731,409	731,409
Total Department of Agriculture			731,409	731,409
Total Federal Assistance			\$ 2,706,043	\$ 2,293,343

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Note A – Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the District's federal awards programs. The Schedule has been prepared using the cash basis of accounting.

**Note B - Child Nutrition Cluster**

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**Note C – Food Donation Program**

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

**Note D - Transfers**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2009, the ODE authorized the following transfers:

<u>CFDA #</u>	<u>Grant Title</u>	<u>Grant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I	2008	\$ 6,384	
84.010	Title I	2009		\$ 6,384
84.010	Title I-D	2008	15,999	
84.010	Title I-D	2009		15,999
84.367	Title II-A: Improving Teacher Quality	2008	40,525	
84.367	Title II-A: Improving Teacher Quality	2009		40,525
84.318	Title II-D: Technology	2008	5,703	
84.318	Title II-D: Technology	2009		5,703
84.367	Safe and Drug-Free Schools	2008	13,333	
84.367	Safe and Drug-Free Schools	2009		13,333
84.298	Title V: Innovative Education Grants	2008	10,285	
84.298	Title V: Innovative Education Grants	2009		10,285
84.027	IDEA Part B	2008	272,092	
84.027	IDEA Part B	2009		272,092

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , SECTION .505  
FOR THE YEAR ENDED JUNE 30, 2009**

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

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d) (1) (iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Qualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	Yes
(d) (1) (vii)	Major Programs (list):	Special Education Cluster, CFDA #84.027 & CFDA #84.173; Child Nutrition Cluster, CFDA's #10.553 and #10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

None Noted

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

**Finding 2009-01                      Noncompliance/Material Weakness**

Federal Program:                      Special Education Grants to States (IDEA Part B)  
CFDA Number:                        84.027  
Grant Year:                              Fiscal Year 2009  
Federal Agency:                        U.S. Department of Education  
Pass-Through Agency:                Ohio Department of Education

Criteria:                                      A-102 Common Rule. Funds are to be expended within the period of time for which they are requested. Expenditures should be reported on a cash basis unless encumbrances are expected to be liquidated within the request period. An excess accumulation of federal funds not spent within a reasonable period of time of the request is not permitted without approval of the awarding agency.

Condition Found:                            The exact amount of expenditures reported on the project cash requests can not be traced back to the District's financial records. Expenditures on several of the project cash requests exceeded actual expenditures posted to the IDEA Part B fund by material amounts. Encumbrances were not liquidated in a timely fashion, and as such, the IDEA Part B fund contained a material positive fund balance from January 2009 through June 30, 2009. Upon submission of the Final Expenditures Report in September 2009, it was reported that the District had received \$103,024 more than what the District recorded as expenditures paid out of the IDEA Part B fund.

Effect:                                        The District's project cash requests contained an inaccurate account of expenditures to date, and an excess accumulation of funds resulted as funds were received that were not spent in the period requested.

Recommendation:                        We recommend the District 1) only report cash basis expenditures with each of its project cash requests and 2) keep documentation to support the expenditures reported on those project cash requests.

Corrective Action:                        Contact Person: Gina Roop, Treasurer  
  
From this day forward, the District will report expenditures on project cash requests on a cash basis and will keep on file documentation to support the amounts reported in each project cash request.

**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain</b>
2008-01	Noncompliance with Ohio Revised Code Section 5705.10. Negative fund balances were present for five funds throughout the fiscal year.	Yes	
2008-02	Noncompliance with Ohio Revised Code Section 5705.41(B). Expenditures plus encumbrances exceeded authorized appropriations for two funds.	No	Partially Corrected; the permanent improvement fund 003 had expenditures exceeding appropriations at year end (immaterial amount).



**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Ashland City School District  
416 Arthur Street  
Ashland, Ohio 44805

December 31, 2009

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 27, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B), unless otherwise specified:
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident; "Requirement was not included in the policy".
- (6) A procedure for documenting any prohibited incident that is reported; "Requirement was not included in the policy".
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, "Requirement was not included in the policy".

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*





Mary Taylor, CPA  
Auditor of State

ASHLAND CITY SCHOOL DISTRICT

ASHLAND 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  
MARCH 30, 2010