



Dave Yost • Auditor of State



**FEDERAL HOCKING LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	17
Statement of Fiduciary Net Assets – Fiduciary Funds.....	18
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund .....	19
Notes to the Basic Financial Statements .....	21
Federal Awards Receipts and Expenditures Schedule.....	47
Notes to the Federal Awards Receipts and Expenditures Schedule .....	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	49
Independent Accountants' Report on Compliance with Requirements Applicable to The Major Federal Programs and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	51
Schedule of Findings – OMB Circular A-133 § .505.....	53
Independent Accountant's Report on Applying Agreed-Upon Procedures.....	55

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Federal Hocking Local School District  
Athens County  
P.O. Box 117  
Stewart, Ohio 45778

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Federal Hocking Local School District, Athens County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, each major fund, and the aggregate remaining fund information of the Federal Hocking Local School District, Athens County, Ohio, as of June 30, 2010, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the School District will continue as a going concern. As discussed in Note 1 to the financial statements, the School District had suffered recurring losses from operations and had a deficiency that raised substantial doubt about its ability to continue as a going concern. In addition, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316. The School District has developed a financial recovery plan to address the School District's deteriorating financial condition. Note 1 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 16, 2011

## **Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

Unaudited

---

The discussion and analysis of the Federal Hocking Local School District's (School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2010 are as follows:

- Net assets of governmental activities increased \$502,604.
- General revenues accounted for \$11,475,205 in revenue or 79% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,054,429 or 21% of total revenues of \$14,529,634.
- The School District had \$14,027,030 in expenses related to governmental activities; only \$3,054,429 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$11,475,205 were adequate to provide for these programs.
- The School District's two major funds were the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund's balance increased \$929,270 and the Permanent Improvement Capital Projects Fund's balance decreased \$198,270.

### **Using this Annual Financial Report**

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

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 as the School District's most significant funds with all other non-major funds presented in total in one column.

## **Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

Unaudited

---

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

#### *Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, 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 2010?" 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 restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, bond service operations, and extracurricular activities.

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of 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 the Permanent Improvement Capital Projects Fund.

***Governmental Funds*** All 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 fiscal 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 governmental 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.



**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The School District uses the accrual basis of accounting to report fiduciary funds.

**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 2010 compared to 2009.

Table 1  
Net Assets  
Governmental Activities

	2010	2009	Change
<b>Assets</b>			
Current and Other Assets	\$7,059,977	\$6,208,643	\$851,334
Capital Assets	8,756,784	8,683,981	72,803
Total Assets	15,816,761	14,892,624	924,137
<b>Liabilities</b>			
Long-term Liabilities	1,411,703	1,501,172	(89,469)
Other Liabilities	4,298,943	3,787,941	511,002
Total Liabilities	5,710,646	5,289,113	421,533
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	8,046,780	7,783,976	262,804
Restricted	1,111,836	1,692,126	(580,290)
Unrestricted	947,499	127,409	820,090
Total Net Assets	\$10,106,115	\$9,603,511	\$502,604

Total assets increased \$924,137. This increase was mainly due to an increase in cash and cash equivalents of \$819,472 and an increase in property taxes receivable of \$531,614. The increase in cash and cash equivalents was primarily due to ongoing reductions in expenditures. Constant cutting of staff and other expenses per direction of the Commission increased the cash balance. The increase in property taxes receivable is the result of information certified by the County Auditor. These increases were offset by a decrease in intergovernmental receivables of \$495,933. Capital assets increased \$72,803 due to additions exceeding current year depreciation.

Other liabilities increased \$511,002 mainly due to an increase of \$518,032 in deferred revenue and an increase in accounts payable of \$206,617. The increase in deferred revenue is a result of the amounts that were certified by the County Auditor for property taxes. This increase was offset by a decrease of \$130,175 in accrued wages. Long-term liabilities decreased as a direct result of the School District making debt payments totaling \$190,000 in fiscal year 2010.

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010.

Table 2  
Changes in Net Assets  
Governmental Activities

	2010	2009	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$537,264	\$754,298	(\$217,034)
Operating Grants, Contributions and Interest	2,517,165	3,084,355	(567,190)
Capital Grants and Contributions	0	25,851	(25,851)
Total Program Revenues	<u>3,054,429</u>	<u>3,864,504</u>	<u>(810,075)</u>
General Revenues			
Property Taxes	3,077,580	3,109,518	(31,938)
Grants and Entitlements	8,322,635	7,806,372	516,263
Investment Earnings	38,590	54,062	(15,472)
Miscellaneous	33,353	10,591	22,762
Gifts and Donations	2,000	1,000	1,000
Gain on Sale of Capital Assets	1,047	6,141	(5,094)
Total General Revenues	<u>11,475,205</u>	<u>10,987,684</u>	<u>487,521</u>
Total Revenues	<u>14,529,634</u>	<u>14,852,188</u>	<u>(322,554)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	5,027,392	4,579,966	447,426
Special	1,827,430	1,585,776	241,654
Vocational	203,859	213,931	(10,072)
Support Services:			
Pupils	387,350	315,356	71,994
Instructional Staff	490,400	424,781	65,619
Board of Education	54,741	38,851	15,890
Administration	1,113,248	1,174,691	(61,443)
Fiscal	1,994,213	1,994,319	(106)
Operation and Maintenance of Plant	983,651	1,007,293	(23,642)
Pupil Transportation	1,190,123	1,090,006	100,117
Central	52,921	39,859	13,062
Operation of Non-Instructional Services:			
Food Service Operations	556,538	525,794	30,744
Other	14,271	14,286	(15)
Extracurricular Activities	89,709	83,337	6,372
Interest and Fiscal Charges	41,184	47,466	(6,282)
Total Expenses	<u>14,027,030</u>	<u>13,135,712</u>	<u>891,318</u>
Increase in Net Assets	502,604	1,716,476	(1,213,872)
Net Assets Beginning of Year	9,603,511	7,887,035	1,716,476
Net Assets End of Year	<u>\$10,106,115</u>	<u>\$9,603,511</u>	<u>\$502,604</u>

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

Unaudited

Total revenues decreased \$322,554 from fiscal year 2009 to fiscal year 2010. This decrease was due to decreases in the operating grants, contributions and interest in the amount of \$567,190. In addition, charges for services revenues decreased in the amount of \$217,034. These decreases were offset by an increase in grants and entitlements of \$516,263.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 21% of revenues for governmental activities for the School District in fiscal year 2010.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Governmental Activities

	<u>Total Cost of Services</u> 2010	<u>Net Cost of Services</u> 2010	<u>Total Cost of Services</u> 2009	<u>Net Cost of Services</u> 2009
<b>Program Expenses</b>				
Instruction:				
Regular	\$5,027,392	\$4,051,265	\$4,579,966	\$3,516,382
Special	1,827,430	1,167,858	1,585,776	387,172
Vocational	203,859	106,670	213,931	107,054
Support Services:				
Pupils	387,350	242,005	315,356	188,821
Instructional Staff	490,400	316,127	424,781	254,907
Board of Education	54,741	54,741	38,851	38,851
Administration	1,113,248	803,525	1,174,691	721,320
Fiscal	1,994,213	1,994,071	1,994,319	1,994,182
Operation and Maintenance of Plant	983,651	974,171	1,007,293	980,930
Pupil Transportation	1,190,123	1,163,944	1,090,006	1,032,947
Central	52,921	29,898	39,859	(14,095)
Operation of Non-Instructional Services:				
Food Service Operations	556,538	(15,705)	525,794	(10,972)
Other	14,271	11,904	14,286	8,426
Extracurricular Activities	89,709	30,943	83,337	17,817
Interest and Fiscal Charges	41,184	41,184	47,466	47,466
<b>Total</b>	<u>\$14,027,030</u>	<u>\$10,972,601</u>	<u>\$13,135,712</u>	<u>\$9,271,208</u>

The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2010, approximately 79% of instructional activities were supported through taxes and other general revenues.

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

Unaudited

---

**The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$10,738,577, expenditures of \$9,810,354, and other financing sources of \$1,047. The General Fund's balance increased \$929,270. The School District is focusing its efforts to reduce expenditures, first through cuts to its discretionary budgets such as supplies and capital outlay, and also through the reduction of personnel.

The fund balance of the Permanent Improvement Capital Projects Fund at June 30, 2010, is \$219,932, a decrease of \$198,270 from the prior year primarily due to an increase to pupil transportation expenditure. This increase was mainly due to the purchase of two new buses in fiscal year 2010.

***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 2010, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The General Fund had original revenue budget estimates of \$10,536,838. The original budget estimates were increased to the final budget of \$10,750,694. Actual revenues were \$2,629 above final budgeted estimates.

Original appropriations plus prior year encumbrances were \$10,437,141. The appropriations were decreased to the final budget of \$10,157,392. Actual expenditures were under appropriations by \$151,948 due to the School District monitoring their spending during fiscal year 2010.

The School District's ending unobligated General Fund balance was \$2,040,309.

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

Unaudited

---

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2010, the School District had \$8,756,784 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared to 2009.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2010	2009
Land	\$44,623	\$44,623
Land Improvements	145,447	176,866
Buildings and Improvements	7,610,812	7,836,130
Furniture and Equipment	282,150	211,244
Vehicles	673,752	415,118
Totals	<u>\$8,756,784</u>	<u>\$8,683,981</u>

See Note 8 to the basic financial statements for more information on capital assets.

***Debt***

At June 30, 2010, the School District had \$710,000 in bonds outstanding.

Table 5  
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2010	2009
1986 School Improvement Bonds	\$130,000	\$260,000
2008 School Improvement Refunding Bonds	580,000	640,000
Totals	<u>\$710,000</u>	<u>\$900,000</u>

See Note 14 to the basic financial statements for more information on debt.

## **Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

Unaudited

---

### **Economic Factors**

On May 21, 2007, the School District was placed in fiscal emergency by the Auditor of State of Ohio. A Commission Board was established and a financial recovery plan was developed, adopted, and implemented during fiscal year 2008. The plan recommended that the School District develop and maintain a five-year forecast that establishes the parameters of expenditures versus revenue for the School District and that the Board of Education contains expenditures within the five-year forecast. This plan included the School District implementing a Reduction in Force, eliminating student employees, as well as evaluating policies and purchasing agreements with vendors. The School District will make future reductions if needed to maintain the School District's financial stability. The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to ensure financial stability.

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

This financial report is designed to provide our citizen's, taxpayers, and 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 Bruce Steenrod, Treasurer/CFO at Federal Hocking Local School District, 8461 State Route 144, Stewart, Ohio 45778. Or E-Mail at [fh\\_bsteenrod@seovec.org](mailto:fh_bsteenrod@seovec.org).

**Federal Hocking Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2010*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,419,304
Cash and Cash Equivalents in Segregated Accounts	51
Intergovernmental Receivable	361,255
Accounts Receivable	23,671
Prepaid Items	23,023
Inventory Held for Resale	40
Property Taxes Receivable	3,211,894
Deferred Charges	20,739
Nondepreciable Capital Assets	44,623
Depreciable Capital Assets, Net	<u>8,712,161</u>
<i>Total Assets</i>	<u>15,816,761</u>
<b>Liabilities</b>	
Matured Compensated Absences Payable	4,775
Accounts Payable	299,236
Accrued Wages and Benefits Payable	957,873
Accrued Interest Payable	2,561
Intergovernmental Payable	383,023
Deferred Revenue	2,651,475
Long-Term Liabilities:	
Due Within One Year	275,060
Due In More Than One Year	<u>1,136,643</u>
<i>Total Liabilities</i>	<u>5,710,646</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	8,046,780
Restricted for:	
Capital Projects	256,136
Debt Service	427,696
Bus Purchase	923
Other Purposes	427,081
Unrestricted	<u>947,499</u>
<i>Total Net Assets</i>	<u><u>\$10,106,115</u></u>

See accompanying notes to the basic financial statements

**Federal Hocking Local School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2010*

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants, Contributions, and Interest	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$5,027,392	\$373,164	\$602,963	(\$4,051,265)
Special	1,827,430	0	659,572	(1,167,858)
Vocational	203,859	0	97,189	(106,670)
Support Services:				
Pupils	387,350	0	145,345	(242,005)
Instructional Staff	490,400	0	174,273	(316,127)
Board of Education	54,741	0	0	(54,741)
Administration	1,113,248	0	309,723	(803,525)
Fiscal	1,994,213	0	142	(1,994,071)
Operation and Maintenance of Plant	983,651	5,213	4,267	(974,171)
Pupil Transportation	1,190,123	0	26,179	(1,163,944)
Central	52,921	14,356	8,667	(29,898)
Operation of Non-Instructional Services:				
Food Service Operations	556,538	99,365	472,878	15,705
Other Non-Instructional Services	14,271	0	2,367	(11,904)
Extracurricular Activities	89,709	45,166	13,600	(30,943)
Interest and Fiscal Charges	41,184	0	0	(41,184)
<b>Totals</b>	<b>\$14,027,030</b>	<b>\$537,264</b>	<b>\$2,517,165</b>	<b>(10,972,601)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	2,540,774
Debt Service	68,599
Capital Improvements	426,582
Classroom Facilities Maintenance	41,625
Gain on Sale of Capital Assets	1,047
Grants and Entitlements not Restricted to Specific Programs	8,322,635
Gifts and Donations not Restricted to Specific Programs	2,000
Investment Earnings	38,590
Miscellaneous	33,353

*Total General Revenues* 11,475,205

*Change in Net Assets* 502,604

*Net Assets Beginning of Year* 9,603,511

*Net Assets End of Year* \$10,106,115

See accompanying notes to the basic financial statements



**Federal Hocking Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2010*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,035,857	\$432,674	\$949,850	\$3,418,381
Cash and Cash Equivalents in Segregated Accounts	0	0	51	51
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	923	0	0	923
Receivables:				
Property Taxes	2,653,760	442,570	115,564	3,211,894
Accounts	11,435	0	12,236	23,671
Intergovernmental	2,302	0	358,953	361,255
Interfund	55,539	0	0	55,539
Prepaid Items	22,523	0	500	23,023
Materials and Supplies Inventory	0	0	40	40
<i>Total Assets</i>	<u>\$4,782,339</u>	<u>\$875,244</u>	<u>\$1,437,194</u>	<u>\$7,094,777</u>
<b>Liabilities</b>				
Matured Compensated Absences Payable	\$4,775	\$0	\$0	\$4,775
Accounts Payable	37,542	256,589	5,105	299,236
Accrued Wages and Benefits Payable	698,551	0	259,322	957,873
Interfund Payable	0	0	55,539	55,539
Intergovernmental Payable	297,512	0	85,511	383,023
Deferred Revenue	2,402,311	398,723	474,139	3,275,173
<i>Total Liabilities</i>	<u>3,440,691</u>	<u>655,312</u>	<u>879,616</u>	<u>4,975,619</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	8,740	42,899	100,873	152,512
Reserved for Property Taxes	251,449	43,847	11,277	306,573
Reserved for Bus Purchase	923	0	0	923
Unreserved:				
Undesignated, Reported in:				
General Fund	1,080,536	0	0	1,080,536
Special Revenue Funds	0	0	28,437	28,437
Debt Service Fund	0	0	416,991	416,991
Capital Projects Funds	0	133,186	0	133,186
<i>Total Fund Balances</i>	<u>1,341,648</u>	<u>219,932</u>	<u>557,578</u>	<u>2,119,158</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,782,339</u>	<u>\$875,244</u>	<u>\$1,437,194</u>	<u>\$7,094,777</u>

See accompanying notes to the basic financial statements

**Federal Hocking Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2010*

<b>Total Governmental Fund Balances</b>		<b>\$2,119,158</b>
 <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.		8,756,784
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	253,846	
Grants	358,037	
Student Fees	11,815	623,698
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		20,739
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(2,561)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds Payable	(739,597)	
Compensated Absences Payable	(672,106)	(1,411,703)
Net Assets of Governmental Activities		<b>\$10,106,115</b>

See accompanying notes to the basic financial statements

**Federal Hocking Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$2,530,050	\$424,083	\$112,311	\$3,066,444
Intergovernmental	7,768,497	60,606	3,163,936	10,993,039
Investment Earnings	38,590	0	0	38,590
Tuition and Fees	348,492	0	13,284	361,776
Extracurricular Activities	4,720	0	64,625	69,345
Rent	5,213	0	0	5,213
Charges for Services	0	0	102,006	102,006
Gifts and Donations	13,600	2,000	16,156	31,756
Miscellaneous	29,415	2,447	1,491	33,353
<i>Total Revenues</i>	<u>10,738,577</u>	<u>489,136</u>	<u>3,473,809</u>	<u>14,701,522</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,455,882	185,008	1,260,652	4,901,542
Special	950,941	0	852,931	1,803,872
Vocational	211,331	0	0	211,331
Support Services:				
Pupils	218,914	0	150,328	369,242
Instructional Staff	306,483	508	163,758	470,749
Board of Education	51,646	99,813	0	151,459
Administration	733,601	12,200	312,657	1,058,458
Fiscal	1,939,279	19,681	15,626	1,974,586
Operation and Maintenance of Plant	860,331	42,732	56,376	959,439
Pupil Transportation	1,037,336	323,089	0	1,360,425
Central	10,710	0	44,263	54,973
Operation of Non-Instructional Services	0	4,375	558,745	563,120
Extracurricular Activities	33,900	0	47,718	81,618
Debt Service:				
Principal Retirement	0	0	190,000	190,000
Interest and Fiscal Charges	0	0	37,081	37,081
<i>Total Expenditures</i>	<u>9,810,354</u>	<u>687,406</u>	<u>3,690,135</u>	<u>14,187,895</u>
<i>Excess of Revenues Over (Under) Expenditures:</i>	928,223	(198,270)	(216,326)	513,627
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	1,047	0	0	1,047
<i>Net Change in Fund Balances</i>	929,270	(198,270)	(216,326)	514,674
<i>Fund Balances Beginning of Year</i>	<u>412,378</u>	<u>418,202</u>	<u>773,904</u>	<u>1,604,484</u>
<i>Fund Balances End of Year</i>	<u>\$1,341,648</u>	<u>\$219,932</u>	<u>\$557,578</u>	<u>\$2,119,158</u>

See accompanying notes to the basic financial statements

**Federal Hocking Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

---

**Net Change in Fund Balances - Total Governmental Funds** \$514,674

*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	493,195	
Depreciation Expense	<u>(420,392)</u>	72,803

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

Property Taxes	11,136	
Grants	(182,995)	
Student Fees and Sales	<u>(1,076)</u>	(172,935)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 190,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Accrued Interest Payable	1,057	
Amortization of Premium	3,345	
Amortization of Deferred Amount on Refunding	(880)	
Annual Accretion	(5,161)	
Amortization of Issuance Costs	<u>(2,464)</u>	(4,103)

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. (97,835)

*Change in Net Assets of Governmental Activities* \$502,604

See accompanying notes to the financial statements

**Federal Hocking Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$2,594,883	\$2,528,102	\$2,528,102	\$0
Intergovernmental	7,508,502	7,808,536	7,810,311	1,775
Investment Earnings	44,000	37,000	37,680	680
Tuition and Fees	363,978	348,492	348,492	0
Extracurricular Activities	8,000	4,700	4,720	20
Rent	5,000	5,000	5,213	213
Gifts and Donations	8,446	13,600	13,600	0
Miscellaneous	4,029	5,264	5,205	(59)
<i>Total Revenues</i>	<u>10,536,838</u>	<u>10,750,694</u>	<u>10,753,323</u>	<u>2,629</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,367,605	10,078,556	3,568,587	6,509,969
Special	0	0	981,545	(981,545)
Vocational	1,890	1,890	214,133	(212,243)
Support Services:				
Pupils	0	9,000	214,048	(205,048)
Instructional Staff	0	0	304,731	(304,731)
Board of Education	550	550	52,153	(51,603)
Administration	1,703	1,703	761,041	(759,338)
Fiscal	18,104	18,104	1,953,976	(1,935,872)
Operation and Maintenance of Plant	2,906	2,906	883,500	(880,594)
Pupil Transportation	44,193	44,493	1,032,374	(987,881)
Central	0	0	10,710	(10,710)
Extracurricular Activities	190	190	28,646	(28,456)
<i>Total Expenditures</i>	<u>10,437,141</u>	<u>10,157,392</u>	<u>10,005,444</u>	<u>151,948</u>
<i>Excess of Revenues Over Expenditures</i>	<u>99,697</u>	<u>593,302</u>	<u>747,879</u>	<u>154,577</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	325	1,047	1,047	0
Refund of Prior Year Expenditures	2,000	3,008	3,008	0
<i>Total Other Financing Sources</i>	<u>2,325</u>	<u>4,055</u>	<u>4,055</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	102,022	597,357	751,934	154,577
<i>Fund Balance Beginning of Year</i>	1,214,222	1,214,222	1,214,222	0
Prior Year Encumbrances Appropriated	74,153	74,153	74,153	0
<i>Fund Balance End of Year</i>	<u>\$1,390,397</u>	<u>\$1,885,732</u>	<u>\$2,040,309</u>	<u>\$154,577</u>

See accompanying notes to the basic financial statements

**Federal Hocking Local School District, Ohio**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2010*

---

	Private Purpose Trust Scholarship Fund	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$265,042	\$22,658
Accrued Interest Receivable	419	0
<i>Total Assets</i>	<u>265,461</u>	<u>\$22,658</u>
<b>Liabilities</b>		
Due to Students	0	\$22,658
<i>Total Liabilities</i>	<u>0</u>	<u>\$22,658</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$265,461</u>	

See accompanying notes to the basic financial statements

**Federal Hocking Local School District, Ohio**

*Statement of Changes in Fiduciary Net Assets*

*Private Purpose Trust Fund*

*For the Fiscal Year Ended June 30, 2010*

---

	Private Purpose Trust <u>Scholarship Fund</u>
<b>Additions</b>	
Gifts and Contributions	\$25
Investment Earnings	<u>8,641</u>
<i>Total Additions</i>	8,666
<b>Deductions</b>	
Scholarships	<u>11,000</u>
<i>Change in Net Assets</i>	(2,334)
<i>Net Assets Beginning of Year</i>	<u>267,795</u>
<i>Net Assets End of Year</i>	<u><u>\$265,461</u></u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**



## **Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Federal Hocking Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District is a rural school located in Athens County, in the Appalachian region of the State, and consists of the villages of Amesville, Coolville, Guysville, and Stewart. The School District is staffed by 88 certificated employees and 52 classified employees who provide services to 1,256 students. The School District currently operates two elementary schools, one middle school, one high school, and one garage.

#### **Reporting Entity:**

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, preschool, vocational instruction, 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 the 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 has no component units.

The School District participates in two jointly governed organizations and three insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Metropolitan Educational Council Group Insurance Pool, and the Athens County School Employee Health and Welfare Benefit Association. These organizations are presented in Notes 15 and 16 to the basic financial statements.

On May 21, 2007, the School District was placed in "Fiscal Emergency" status by the Auditor of State of Ohio because the School District attempted but failed to develop a financial recovery plan to address the School District's deteriorating financial condition. Fiscal emergency is the most severe declaration regarding a school district's financial solvency. This situation prompts the creation of a Financial Planning and Supervision Commission (the Commission) to develop a financial recovery plan to alleviate the School District's financial crisis. The Commission must adopt and submit the financial recovery plan to the Ohio Department of Education within 120 days. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activities of the School District must be in accordance with the plan. The recovery plan was adopted and submitted on September 27, 2007.

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

The duties of the Commission include:

1. Adopting a financial recovery plan to eliminate the fiscal emergency condition, balancing the budget, avoiding future deficits, and restoring the School District's ability to market long-term obligations.
2. Assuming any powers of the School Board it considers necessary, including those related to personnel, curriculum, and legal issues
3. Requiring the School Board to establish monthly levels of expenditures and obligations consistent with the recovery plan.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **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 the fiduciary funds. The statements usually distinguish between those activities that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

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. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

---

**Fund Financial Statements** During the fiscal 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. Fiduciary funds are reported by type.

### **B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by the School District can be classified using two categories: governmental 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:

**General Fund** The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

**Permanent Improvement Capital Project Fund** This fund accounts for the accumulation of resources from taxes that are used to pay for capital and permanent improvement costs of the School.

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

#### **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 private purpose trust fund accounts for programs that provide college scholarships to 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 various student-managed activities.

## **Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

### **C. Measurement Focus and Basis of Accounting**

#### **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 accounts for increases (i.e., revenues) and decreases (i.e., expenses) 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.

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

### **D. Basis of Accounting**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

## **Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

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, investment earnings, tuition, grants, 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, 2010, but which were levied to finance fiscal year 2011 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.

### **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 the agency fund, 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 set 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. Allocation of appropriations to the function and object levels are made by the Treasurer.

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

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

## **Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

---

### **F. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool, except for the investments in the trust fund. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the School District’s 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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

The School District’s only investments consist of certificates of deposit in the trust fund. These investments are reported at cost.

The School District has a segregated bank account for athletic activities. This depository account is presented as “cash and cash equivalents in segregated accounts” since it is not deposited into the School District treasury.

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 2010 amounted to \$38,590, which includes \$19,394 assigned from other School District funds.

### **G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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 fiscal year in which services are consumed.

### **I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by laws through constitutional provisions or enabling legislation. Restricted assets represent unexpended grants restricted for the purchase of buses.

### **J. Capital Assets**

The School District’s only capital assets are general capital assets resulting from expenditures in the governmental funds. General capital 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.

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

---

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. 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 capitalized.

All reported capital assets, except land, 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:

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture and Equipment	5 - 20 years
Vehicles	10 years

### **K. 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. The School District records a liability for the accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting 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 employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees with seventeen or more years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

**L. Unamortized Issuance Costs and Bond Premiums**

On government-wide financial statements, issuance costs and bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

On the government fund financial statements, issuance costs and bond premiums are recognized in the period in which the bonds are issued.

**M. 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

**N. Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a 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 equity reserves have been established for encumbrances, property taxes, and bus purchases.

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



**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

---

**P. 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. Net assets restricted for other purposes include restricted donations, music and athletic programs, and local, federal, and state grants restricted to expenditure for specified purposes.

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

**Q. 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. There were no extraordinary or special items reported for fiscal year 2010.

**R. Estimates**

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

**NOTE 3 - FUND DEFICITS**

The following funds had deficit fund balances as of June 30, 2010:

	<u>Deficit Fund Balances</u>
<b>Special Revenue Funds:</b>	
Miscellaneous Local Grants	\$195
Title VI-B	6,736
State Fiscal Stabilization Funds	67,216
Title I	145,621
Drug Free Assistance	395
Preschool Grants	665
Title II-A	21,263
Miscellaneous Federal Grants	7,779

The deficits in the Special Revenue Funds are the result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

---

**NOTE 4 - 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 and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

GAAP Basis	\$929,270
Revenue Accruals	20,325
Expenditure Accruals	(145,502)
Unreported Items at End of Fiscal Year	(2,571)
Prepaid Items:	
Beginning of Fiscal Year	3,474
End of Fiscal Year	(22,523)
Encumbrances	<u>(30,539)</u>
Budget Basis	<u><u>\$751,934</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute 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.

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$3,546,438 of the School District's bank balance of \$3,796,489 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

## **Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

---

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

### **NOTE 6 - 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 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at thirty-five 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 2010 (other than public utility property tax) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Athens and Morgan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is deferred.

The amount available as an advance at June 30, 2010, was \$251,449 in the General Fund, \$7,266 in the Bond Retirement Debt Service Fund, \$43,847 in the Permanent Improvement Capital Projects Fund, and \$4,011 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2009, was \$249,286 in the General Fund, \$7,229 in the Bond Retirement Debt Service Fund, \$43,624 in the Permanent Improvement Capital Projects Fund, and \$3,988 in the Classroom Facilities Special Revenue Fund.

On a full 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 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$115,915,230	87.19%	\$117,747,700	86.65%
Public Utility Personal	15,986,310	12.03%	17,462,210	12.85%
Tangible Personal	1,038,010	0.78%	679,250	0.50%
	\$132,939,550	100.00%	\$135,889,160	100.00%
 Tax Rate per \$1,000 of assessed valuation		\$30.08	\$30.08	

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental receivables. 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. Other than delinquent property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
State of Ohio Treasurer	\$2,302
Miscellaneous Revenue	616
Ohio Department of Health	300
Idea Part B	28,210
Title I	125,482
Safe and Drug Free Schools Grant	320
Early Childhood Special Education Grant	591
ARRA - Early Childhood Special Education Grant	431
Title II-A	20,465
Title VI-B, Rural and Low Income	6,163
21st Century Grant	59,484
Reading First Grant	116,891
	<u>\$361,255</u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>6/30/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2010</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$44,623	\$0	\$0	\$44,623
Total Capital Assets not being Depreciated	<u>44,623</u>	<u>0</u>	<u>0</u>	<u>44,623</u>
Depreciable Capital Assets:				
Land Improvements	873,330	5,860	0	879,190
Buildings and Improvements	12,237,690	4,951	0	12,242,641
Furniture and Equipment	1,702,547	115,601	(19,453)	1,798,695
Vehicles	1,523,542	366,783	0	1,890,325
Total Capital Assets being Depreciated	<u>16,337,109</u>	<u>493,195</u>	<u>(19,453)</u>	<u>16,810,851</u>
Less Accumulated Depreciation				
Land Improvements	(696,464)	(37,279)	0	(733,743)
Buildings and Improvements	(4,401,560)	(230,269)	0	(4,631,829)
Furniture and Equipment	(1,491,303)	(44,695)	19,453	(1,516,545)
Vehicles	(1,108,424)	(108,149)	0	(1,216,573)
Total Accumulated Depreciation	<u>(7,697,751)</u>	<u>(420,392) *</u>	<u>19,453</u>	<u>(8,098,690)</u>
Total Capital Assets being Depreciated, Net	<u>8,639,358</u>	<u>72,803</u>	<u>0</u>	<u>8,712,161</u>
Capital Assets, Net	<u>\$8,683,981</u>	<u>\$72,803</u>	<u>\$0</u>	<u>\$8,756,784</u>

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

Instruction:	
Regular	\$148,917
Special	23,061
Vocational	14,188
Support Services:	
Pupils	13,822
Instructional Staff	18,958
Administration	27,102
Fiscal	9,979
Operation and Maintenance of Plant	22,165
Pupil Transportation	111,340
Central	2,377
Food Service Operations	20,392
Extracurricular Activities	8,091
Total Depreciation Expense	<u>\$420,392</u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

**NOTE 9 - 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. During fiscal year 2010, the School District contracted with Ohio Casualty Insurance, through Reed & Baur Insurance Agency, for property, crime insurance, general liability insurance, and fleet insurance. Coverage provided is as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$41,412,217
Crime Insurance	
Theft & Disappearance & Destruction	5,000
Employee Dishonesty	10,000
General Liability	
Per occurrence	1,000,000
Aggregate Per Year	2,000,000
Medical Expense	15,000
Education Umbrella Liability Policy	
For General Liability	
Per occurrence	1,000,000
Aggregate Per Year	1,000,000
Automobile Insurance (\$250 Comprehensive/ \$500 Collision)	1,000,000
Uninsured Motorists	1,000,000
Medical Payments	5,000

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

In fiscal year 2010, the School District participated in the Metropolitan Educational Council (MEC), an insurance purchasing pool (Note 16). MEC helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurance, services, supplies, and other items.

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.



## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

---

For fiscal year 2010, the School District was a member of the Athens County School Employee Health and Welfare Benefit Association (the Consortium), an insurance purchasing pool (See Note 16), through which a cooperative Health Benefit Program was created for the benefit of its members. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating School Districts. These funds are pooled together for the purposes of paying health and dental benefit claims of employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

### **NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, 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 - 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 School District 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 2010, 12.78 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008, were \$264,438, \$113,248, and \$138,385, respectively; 49.70 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

#### **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 public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

## **Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, 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. 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 employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009, and 2008, were \$591,306, \$616,688, and \$639,964, respectively; 82.22 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$32,763 made by the School District and \$23,402 made by the plan members.

### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, there are no employees who have elected Social Security. The contribution rate is 6.2 percent of wages.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

---

**NOTE 11 - 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.

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 2010, .46 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 2010, 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, including the surcharge, for the fiscal years ended June 30, 2010, 2009, and 2008, were \$4,732, \$74,144, and \$97,932, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008, were \$14,221, \$10,241, and \$10,337, respectively; 44.38 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, 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, 2010, 2009, and 2008, were \$45,485, \$47,438, and \$49,228, respectively; 82.22 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified and administrative employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated vacation time may be carried forward for the Treasurer and upon approval of the Superintendent, for all other classified employees. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to an unlimited number of days for certified employees and a maximum of 220 days for classified employees. Upon retirement, certified employees can choose between a severance payment equal to \$50 per day of unused accumulated sick leave to a maximum of 350 days or one-fourth of accrued, but unused sick leave credit to a maximum of 60 days paid based on the employee’s current rate of pay. For classified employees, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days.

**B. Other Employee Insurance**

The School District provides life insurance and accidental death and dismemberment insurance through Metropolitan Educational Council Group Life Insurance, in the amount of \$30,000 for all employees. The School District also provides vision insurance to its employees through Vision Service Plan.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

**NOTE 13 - INTERFUND BALANCES**

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds:		
General Fund	<u>\$55,539</u>	<u>\$0</u>
Other Nonmajor Governmental Funds:		
Other Miscellaneous Grants	0	193
Drug Free Schools Grant	0	321
Title I	0	36,125
Miscellaneous Federal Grants	<u>0</u>	<u>18,900</u>
Total Other Nonmajor Governmental Funds	<u>0</u>	<u>55,539</u>
Total All Funds	<u><u>\$55,539</u></u>	<u><u>\$55,539</u></u>

The payable from the Miscellaneous Federal Grants to the General Fund is due to lags between the dates the interfund service was provided and when the transaction was recorded in the accounting system and when payments between funds were made. The remaining interfund receivables/payables are due to cash deficits at June 30, 2010.

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	<u>Principal Outstanding 6/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/10</u>	<u>Amounts Due Within One Year</u>
Bonds:					
1987 Classroom Facilities Improvement Serial and Term Bonds - 8.375%	\$260,000	\$0	\$130,000	\$130,000	\$130,000
2008 School Improvement Refunding Bonds - 3.0% - 4.0%	620,000	0	60,000	560,000	60,000
Original Issue of Capital Appreciation Bonds - 4.05%	20,000	0	0	20,000	0
Accretion on Capital Appreciation Bonds	3,693	5,161	0	8,854	0
Deferred Amount on Refunding	(8,287)	0	(880)	(7,407)	0
Premium on Refunding Bonds	31,495	0	3,345	28,150	0
Total Bonds	<u>926,901</u>	<u>5,161</u>	<u>192,465</u>	<u>739,597</u>	<u>190,000</u>
Compensated Absences	<u>574,271</u>	<u>131,649</u>	<u>33,814</u>	<u>672,106</u>	<u>85,060</u>
Total Long-Term Obligations	<u><u>\$1,501,172</u></u>	<u><u>\$136,810</u></u>	<u><u>\$226,279</u></u>	<u><u>\$1,411,703</u></u>	<u><u>\$275,060</u></u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

In fiscal year 1988, the School District issued \$2,915,000 in voted general obligation bonds for school facilities improvements. The bonds were issued for a twenty-three year period, with the final maturity date during fiscal year 2011. The bonds are being retired through the Bond Retirement Debt Service Fund.

Principal and interest requirements to retire the 1987 general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$130,000	\$5,444	\$135,444

On July 24, 2008, the School District issued \$690,000 in general obligation refunding bond to retire \$690,000 of outstanding 1995 classroom facilities construction and improvements term bonds.

\$699,097 was paid to bondholders on August 24, 2008, to retire the 1995 bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$9,097. This difference, reported as a deduction from bonds payable, is being charged to interest through fiscal year 2019. The School District decreased its total debt service payments by \$82,652 as a result of the current refunding.

The refunding bonds issue included serial and capital appreciation bonds in the amount of \$670,000 and \$20,000, respectively. The bonds are being retired from the Bond Retirement debt service fund. The serial general obligation bonds were sold at a premium of \$34,560 and will be amortized over the term of the bonds. Issuance costs associated with the refunding bonds were \$25,463 and will be amortized over the term of the bonds.

The refunding bonds are not subject to redemption prior to stated maturity.

The capital appreciation bonds will mature in fiscal year 2015. The maturity amount of the bonds is \$70,000. For the fiscal year 2010, \$5,161 was accreted for a total bond value of \$28,854.

Principal and interest requirements to retire the general obligation refunding debt outstanding at June 30, 2010, are as follows:

Fiscal Year	Serial		Capital Appreciation	
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$60,000	\$18,950	\$0	\$0
2012	60,000	17,150	0	0
2013	65,000	15,194	0	0
2014	65,000	13,081	0	0
2015	0	12,025	20,000	50,000
2016-2019	310,000	25,013	0	0
	<u>\$560,000</u>	<u>\$101,413</u>	<u>\$20,000</u>	<u>\$50,000</u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

---

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, Federal Grants Special Revenue Funds, and the Lunchroom Fund.

The School District's overall debt margin was \$11,115,767, with an unvoted debt margin of \$135,889 at June 30, 2010.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)**

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of school districts in nine southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2010, the School District paid \$30,535 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

**B. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 32-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 32 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2010, the annual fee to the Coalition was waived due to the School District being in fiscal emergency. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**NOTE 16 - INSURANCE PURCHASING POOL**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

**B. Metropolitan Educational Council Group Insurance Pool**

The School District participates in the Metropolitan Educational Council (MEC), an insurance purchasing pool. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The organization is composed of over 180 members which includes school districts, joint vocational schools, educational service centers, and libraries in Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program.

**C. Athens County School Employee Health and Welfare Benefit Association**

The School District participates in a consortium of seven districts to operate the Athens County School Employee Health and Welfare Benefit Association. The Association was created to provide health care and dental benefits for the employees and eligible dependents of employees of participating districts. The Association has contracted with Anthem Insurance Company to be a health care provider for medical benefits as well as to provide aggregate and stop loss insurance coverage, and Coresource to provide administration for its dental benefits. The Association is governed by a board of directors consisting of one representative from each of the participating districts. Financial information for the association can be obtained from the administrators at Combs & Associates, P.O. Box 98, Dola, Ohio 45835.

**NOTE 17 - SET-ASIDE CALCULATIONS**

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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks during fiscal year 2010:

	<u>Textbooks</u>
Set-aside Reserve Balance as of June 30, 2009	(\$162,212)
Fiscal Year 2010 Required Set-aside	0
Qualifying Disbursements	<u>(36,690)</u>
Set-aside Reserve Balance as of June 30, 2010	<u>(\$198,902)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$198,902)</u>



**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

---

ORC 3315.17 (B)(2) and ORC 3315.18 (D)(1) allows a School District that is in fiscal emergency to deposit no money into their textbook and capital set-asides. In fiscal year 2010, the School District decided not to deposit money in their textbooks and capital set-asides. The extra amount in the textbooks set aside may be used to reduce the set-aside requirements in future fiscal years. Since the capital set-aside qualifying expenditures do not reduce set-aside requirements of future fiscal years, qualifying expenditures were not presented.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2010.

**B. Litigation**

As of June 30, 2010, the School District is currently not a party to any material legal proceedings.

**This page intentionally left blank.**

FEDERAL HOCKING LOCAL SCHOOL DISTRICT  
ATHENS COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2009/2010	10.555	\$ 23,018	\$ 23,018
Cash Assistance:				
School Breakfast Program	2009/2010	10.553	199,111	199,111
National School Lunch Program	2009/2010	10.555	281,605	281,605
Cash Assistance Subtotal			<u>480,716</u>	<u>480,716</u>
Total Child Nutrition Cluster			503,734	503,734
ARRA - Child Nutrition Discretionary Grants	2010	10.579	<u>12,710</u>	<u>12,710</u>
Total U.S. Department of Agriculture			516,444	516,444
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Cluster:				
Title 1 Grants to Local Educational Agencies	2009	84.010	57,131	61,156
	2010		438,415	507,547
Total Title 1 Grants to Local Educational Agencies			<u>495,546</u>	<u>568,703</u>
ARRA - Title 1 Grants to Local Educational Agencies	2010	84.389	<u>84,373</u>	<u>63,378</u>
Total Title 1 Cluster			579,919	632,081
Special Education Cluster:				
Special Education - Grants to States				
	2009	84.027	74,920	42,354
	2010		249,053	237,828
Total Special Education - Grants to States			<u>323,973</u>	<u>280,182</u>
Special Education - Preschool Grants				
	2009	84.173	989	1,362
	2010		9,806	8,525
Total Special Education - Preschool Grants			<u>10,795</u>	<u>9,887</u>
ARRA - Special Education - Grants to States	2010	84.391	191,739	162,501
ARRA - Special Education - Preschool Grants	2010	84.392		431
Total Special Education Cluster			<u>526,507</u>	<u>453,001</u>
Safe and Drug-Free Schools and Communities - State Grants				
	2009	84.186	1,108	680
	2010		7,227	7,547
Total Safe and Drug-Free Schools and Communities - State Grants			<u>8,335</u>	<u>8,227</u>
Twenty-First Century Community Learning Centers				
	2009	84.287	160,942	109,807
	2010		120,335	120,335
Total Twenty-First Century Community Learning Centers			<u>281,277</u>	<u>230,142</u>
State Grants for Innovated Programs				
	2009	84.298	(290)	
Education Technology State Grants				
	2009	84.318	(353)	125
	2010		3,270	2,450
Total Education Technology State Grants			<u>2,917</u>	<u>2,575</u>
Reading First State Grants				
	2008	84.357	(460)	
	2009		131,890	115,186
	2010		486,322	428,078
Total Reading First State Grants			<u>617,752</u>	<u>543,264</u>
Rural Education				
	2008	84.358	(2,463)	
	2009		(1,270)	
	2010		13,475	19,678
Total Rural Education			<u>9,742</u>	<u>19,678</u>
Improving Teacher Quality State Grants				
	2009	84.367	19,770	20,600
	2010		112,388	108,676
Total Improving Teacher Quality State Grants			<u>132,158</u>	<u>129,276</u>
School Improvement Grants				
	2009	84.377	19,633	10,147
	2010		24,422	12,403
Total School Improvement Grants			<u>44,055</u>	<u>22,550</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants	2010	84.394	<u>493,759</u>	<u>493,759</u>
Total U.S. Department of Education			2,696,131	2,534,553
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 3,212,575</u></b>	<b><u>\$ 3,050,997</u></b>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2008 and 2009 to 2010 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2008 and 2009 to 2010</u>
Education Technology State Grants	84.318	\$ 353
Reading First State Grants	84.357	460
Rural Education	84.358	3,733



# Dave Yost • Auditor of State

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

Federal Hocking Local School District  
Athens County  
P.O. Box 117  
Stewart, Ohio 43778

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Federal Hocking Local School District, Athens County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2011, wherein we noted the School District has been declared to be in fiscal emergency, as defined by the Ohio Revised Code and is experiencing financial difficulties. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **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 audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 16, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and others within the School District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

March 16, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Federal Hocking Local School District  
Athens County  
P.O. Box 117  
Stewart, Ohio 45778

To the Board of Education:

### Compliance

We have audited the compliance of the Federal Hocking Local School District, Athens 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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157  
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal noncompliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 16, 2011.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the School District, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

March 16, 2011



**FEDERAL HOCKING LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I Cluster CFDA#'s 84.010 and 84.389 Special Education Cluster CFDA #'s 84.027, 84.173, and 84.391 Reading First State Grants CFDA# 84.357 State Fiscal Stabilization Fund – Education State Grants CFDA# 84.394
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

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

Federal Hocking Local School District  
Athens County  
P.O. Box 117  
Stewart, Ohio 45778

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 of Education, solely to assist the Board in evaluating whether the Federal Hocking Local School District, Athens County, Ohio (the School 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 March 16, 2010.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (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 includes 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;

- (6) A procedure for documenting any prohibited incident that is reported;
- (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; and
- (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.

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 this specified party.



**Dave Yost**  
Auditor of State

March 16, 2011



# Dave Yost • Auditor of State

FEDERAL HOCKING LOCAL SCHOOL DISTRICT

ATHENS 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 31, 2011