

**Ashland City School District**  
**Ashland County, Ohio**

*Audited Financial Statements*

***For the Fiscal Year Ended***  
***June 30, 2012***





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ashland City School District, Ashland County, prepared by Rea & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 5, 2012

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**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

**JUNE 30, 2012**

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**ASHLAND CITY SCHOOL DISTRICT  
ASHLAND COUNTY**

**JUNE 30, 2012**

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October 31, 2012

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

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Ashland City School District, Ohio (the "School District"), as of and for the year ended June 30, 2012, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Ashland City School District, Ohio, as of June 30, 2012, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the general fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Rea & Associates, Inc.*



**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

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The discussion and analysis of the Ashland City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2012 are as follows:

- General Revenues accounted for \$28,008,315 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,670,939 or 17 percent of total revenues of \$33,679,254.
- Total program expenses were \$35,720,043.
- In total, net assets decreased \$2,040,789, which represents a 13 percent decrease from 2011.
- Outstanding debt decreased from \$3,486,955 to \$3,263,709 through principal payments.

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

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The government-wide financial statements begin on page 12.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

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

*Fund Financial Statements*

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

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

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

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

The governmental fund financial statements begin on page 14.

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

The proprietary fund financial statements begin on page 19.

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

The fiduciary fund financial statements begin on page 22.

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

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

**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 2012 compared to 2011:

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current and Other Assets	\$ 24,530,578	\$ 26,880,690
Capital Assets	10,960,458	11,348,355
<i>Total Assets</i>	35,491,036	38,229,045
<b>Liabilities</b>		
Other Liabilities	15,708,897	16,060,734
Long-Term Liabilities	5,658,790	6,004,173
<i>Total Liabilities</i>	21,367,687	22,064,907
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	7,696,749	7,861,400
Restricted	902,642	883,308
Unrestricted	5,523,958	7,419,430
<i>Total Net Assets</i>	\$ 14,123,349	\$ 16,164,138

Total assets decreased by \$2,738,009 due to decreases in cash accounts and capital assets. Current year depreciation expense exceeded additions to capital assets. Decrease in revenues from stimulus awards was higher than decreases in expense amounts. Total liabilities decreased \$697,220 primarily due to principal payments on debt and a reduction in accrued wages and benefits.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

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

	Governmental Activities	
	2012	2011
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,839,482	\$ 2,062,046
Operating Grants	3,831,457	4,733,178
<i>Total Program Revenues</i>	<u>5,670,939</u>	<u>6,795,224</u>
<i>General Revenues:</i>		
Property Taxes	13,243,508	14,277,178
Grants and Entitlements Not Restricted	14,278,319	15,807,910
Payments in Lieu of Taxes	219,287	232,797
Other	267,201	204,597
<i>Total General Revenues</i>	<u>28,008,315</u>	<u>30,522,482</u>
<i>Total Revenues</i>	<u>33,679,254</u>	<u>37,317,706</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	15,287,057	15,689,163
Special	4,789,267	4,775,489
Vocational	639,691	947,226
Student Intervention Services	0	16
Other	952,081	866,663
<i>Support Services:</i>		
Pupils	1,684,797	1,846,168
Instructional Staff	1,560,738	1,852,201
Board of Education	90,601	111,861
Administration	2,428,213	2,542,423
Fiscal	843,685	761,257
Business	329,338	319,291
Operation and Maintenance of Plant	2,878,679	2,657,264
Pupil Transportation	1,237,917	1,260,962
Central	318,692	334,254
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,418,988	1,537,440
Community Services	180,107	187,628
Extracurricular Activities	963,492	968,034
<i>Debt Service:</i>		
Interest and Fiscal Charges	116,700	124,625
<i>Total Expenses</i>	<u>35,720,043</u>	<u>36,781,965</u>
<i>Increase (Decrease) in Net Assets</i>	(2,040,789)	535,741
<i>Net Assets at Beginning of Year</i>	<u>16,164,138</u>	<u>15,628,397</u>
<i>Net Assets at End of Year</i>	<u>\$ 14,123,349</u>	<u>\$ 16,164,138</u>

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

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Total revenues decreased \$3,638,452 from 2011. Revenue from operating grants decreased by \$901,721 due to stimulus grants ending. Property taxes decreased \$1,033,670 mostly due to a decrease in amount available for advance in 2012.

**Governmental Activities**

The vast majority of revenues supporting governmental activities are general revenues. General revenues decreased from \$30,522,482 in fiscal year 2011 to \$28,008,315 in fiscal year 2012. The primary source of this decrease was in unrestricted grants and entitlements due to stimulus funding ending.

A review of Table 2 shows the total cost of instructional services was \$21,668,096 or 61 percent of governmental program expenses. Instructional expenses decreased \$610,461 from fiscal year 2011 to 2012 partly due to the retirement of many district employees during fiscal year 2012. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil.

The expense for support services total \$11,372,660 or 32 percent of total expenses. Support services consist of pupil services and instructional staff which include the activities involved in assisting staff and the content and process of teaching to pupils, along with Board of education, administration, fiscal and business classifications which reflect expenses associates with establishing and administering school policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

	Total Cost of Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 15,287,057	\$ 15,689,163	\$ (14,249,005)	\$ (14,255,131)
Special	4,789,267	4,775,489	(3,239,461)	(3,132,300)
Vocational	639,691	947,226	(504,979)	(821,909)
Student Intervention Services	0	16	0	(16)
Other	952,081	866,663	(952,081)	(866,663)
Support Services:				
Pupils	1,684,797	1,846,168	(1,669,491)	(1,565,354)
Instructional Staff	1,560,738	1,852,201	(922,661)	(1,040,838)
Board of Education	90,601	111,861	(90,601)	(111,861)
Administration	2,428,213	2,542,423	(2,219,904)	(2,145,164)
Fiscal	843,685	761,257	(843,685)	(761,257)
Business	329,338	319,291	(311,032)	(291,561)
Operation and Maintenance of Plant	2,878,679	2,657,264	(2,862,063)	(2,657,264)
Pupil Transportation	1,237,917	1,260,962	(1,200,707)	(1,227,383)
Central	318,692	334,254	(306,092)	(320,329)
Operation of Non-Instructional Services:				
Food Service Operations	1,418,988	1,537,440	35,881	(74,775)
Community Services	180,107	187,628	3,324	(3,733)
Extracurricular Activities	963,492	968,034	(599,847)	(586,578)
Debt Service:				
Interest and Fiscal Charges	116,700	124,625	(116,700)	(124,625)
<i>Total Expenses</i>	\$ 35,720,043	\$ 36,781,965	\$ (30,049,104)	\$ (29,986,741)

Program revenues include charges for services, grants and contributions that are program specific. Property taxes made up 39 percent of total revenues for governmental activities for the School District in fiscal year 2012. Program revenues for governmental activities provided 17 percent of governmental revenues with 83 percent of all governmental activities supported through property taxes, grants and entitlements and other general revenues. The grants and entitlements portion of general revenues includes monies received from the Ohio Department of Education, State Foundation Program and property tax relief such as the homestead exemptions and rollbacks provided by HB 920.

**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

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***Governmental Funds***

Information about the School District's major fund starts on page 14. This fund is accounted for using the modified accrual basis of accounting.

All governmental funds had total revenues, including other financing sources of \$33,689,777 and expenditures, including other financing uses, of \$36,353,481 for fiscal year 2012.

***General Fund***

The School District's general fund balance decreased \$2,803,953 during fiscal year 2012. Property tax and intergovernmental revenues decreased, while expenditures increased in fiscal year 2012. Decreased expenditures did not keep pace with declining revenues for the district.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2012, the School District did modify its general fund estimated resources and appropriations. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue, including other financing sources, of \$29,328,670 was \$1,149,036 under the original budget estimate of \$30,477,706. The majority of this decrease is due to an overestimation of property taxes and intergovernmental revenue. Actual revenue, including other financing sources, of \$29,327,802 was only slightly under the final budgeted amount.

Final appropriations, including other financing uses, of \$32,589,614 were \$1,067,632 higher than the \$31,521,983 in the original appropriations. This increase is mainly attributable to an increase in regular instruction expenditures and pupil support services. Actual expenditures, including other financing uses, totaled \$32,421,881, which was lower than the final budget amount of \$32,589,614 by \$167,733. There were no individually significant variances that caused this change.

**Ashland City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2012, the School District had \$10,960,458 invested in land, land improvements buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2012 balances compared with 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 757,979	\$ 757,979
Land Improvements	234,117	235,618
Buildings and Improvements	7,782,228	7,978,536
Furniture, Fixtures and Equipment	1,404,831	1,473,335
Vehicles	781,303	902,887
<i>Totals</i>	\$ 10,960,458	\$ 11,348,355

The \$387,897 decrease in capital assets was attributable to current year depreciation and deletions exceeding capital asset additions. See Note 8 for additional information.

**Set-asides**

Senate Bill 345 requires the School District to set aside \$171.96 per pupil of certain general fund revenues for capital maintenance expenditures. For fiscal year 2012, this amounted to \$587,986. The School District has qualifying disbursements or offsets exceeding the requirements for the set aside.

**Debt**

At June 30, 2012, the School District had \$3,263,709 in bonds and loans outstanding with \$230,736 due within one year. Table 5 summarizes bonds outstanding.

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

	Governmental Activities	
	2012	2011
H.B. 264 Energy Conservation Bonds	\$ 3,190,709	\$ 3,400,955
Land Purchase Loan	73,000	86,000
<i>Total</i>	\$ 3,263,709	\$ 3,486,955



**Ashland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

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In fiscal year 2003, a loan in the amount of \$178,000 was issued to purchase land that was intended to be used as the site of a new school building. During fiscal year 2009, the School District issued bonds in the amount of \$3,800,000 to perform various upgrades to the buildings throughout the School District. See Note 12 for additional information.

***Current Issues Affecting Financial Condition***

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

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

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

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

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

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

**Ashland City School District**

*Statement of Net Assets*

*June 30, 2012*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 8,770,018
Cash and Cash Equivalents in Segregated Accounts	2,551
Receivables:	
Accounts	115,262
Intergovernmental	411,669
Property Taxes	15,231,078
Nondepreciable Capital Assets	757,979
Depreciable Capital Assets (Net)	<u>10,202,479</u>
 <i>Total Assets</i>	 <u>35,491,036</u>
<b>Liabilities</b>	
Accounts Payable	154,625
Accrued Wages and Benefits	2,796,947
Intergovernmental Payable	1,043,549
Accrued Interest Payable	46,531
Claims Payable	395,040
Deferred Revenue	11,272,205
Long Term Liabilities:	
Due Within One Year	711,957
Due In More Than One Year	<u>4,946,833</u>
 <i>Total Liabilities</i>	 <u>21,367,687</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	7,696,749
Restricted For:	
Capital Outlay	289,570
Debt Service	13,352
Other Purposes	599,720
Unrestricted	<u>5,523,958</u>
 <i>Total Net Assets</i>	 <u>\$ 14,123,349</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 15,287,057	\$ 722,035	\$ 316,017	\$ (14,249,005)
Special	4,789,267	64,669	1,485,137	(3,239,461)
Vocational	639,691	7,610	127,102	(504,979)
Other	952,081	0	0	(952,081)
Support Services:				
Pupils	1,684,797	0	15,306	(1,669,491)
Instructional Staff	1,560,738	0	638,077	(922,661)
Board of Education	90,601	0	0	(90,601)
Administration	2,428,213	96,620	111,689	(2,219,904)
Fiscal	843,685	0	0	(843,685)
Business	329,338	10,869	7,437	(311,032)
Operation and Maintenance of Plant	2,878,679	16,616	0	(2,862,063)
Pupil Transportation	1,237,917	37,210	0	(1,200,707)
Central	318,692	0	12,600	(306,092)
Operation of Non-Instructional Services:				
Food Service Operations	1,418,988	538,394	916,475	35,881
Community Services	180,107	0	183,431	3,324
Extracurricular Activities	963,492	345,459	18,186	(599,847)
Debt Service:				
Interest and Fiscal Charges	116,700	0	0	(116,700)
<b>Total</b>	<b>\$ 35,720,043</b>	<b>\$ 1,839,482</b>	<b>\$ 3,831,457</b>	<b>(30,049,104)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	12,862,975
Capital Outlay	380,533
Grants and Entitlements Not Restricted to Specific Programs	14,278,319
Payments in Lieu of Taxes	219,287
Investment Earnings	129,513
Miscellaneous	137,688
<b>Total General Revenues</b>	<b>28,008,315</b>
<i>Change in Net Assets</i>	(2,040,789)
<i>Net Assets Beginning of Year</i>	16,164,138
<i>Net Assets End of Year</i>	<b>\$ 14,123,349</b>

See accompanying notes to the basic financial statements.

**Ashland City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 5,864,631	\$ 967,881	\$ 6,832,512
Cash and Cash Equivalents in Segregated Accounts	0	2,551	2,551
Receivables:			
Accounts	114,642	0	114,642
Interfund	141,165	0	141,165
Intergovernmental	0	411,669	411,669
Property Taxes	14,792,796	438,282	15,231,078
<i>Total Assets</i>	<u>\$ 20,913,234</u>	<u>\$ 1,820,383</u>	<u>\$ 22,733,617</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 98,449	\$ 56,176	\$ 154,625
Accrued Wages and Benefits	2,579,007	217,940	2,796,947
Intergovernmental Payable	948,216	82,871	1,031,087
Interfund Payable	0	141,165	141,165
Deferred Revenue	11,949,239	711,511	12,660,750
<i>Total Liabilities</i>	<u>15,574,911</u>	<u>1,209,663</u>	<u>16,784,574</u>
<b>Fund Balances</b>			
Nonspendable	10,487	0	10,487
Restricted	0	704,054	704,054
Assigned	1,565,551	0	1,565,551
Unassigned	3,762,285	(93,334)	3,668,951
<i>Total Fund Balances</i>	<u>5,338,323</u>	<u>610,720</u>	<u>5,949,043</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 20,913,234</u>	<u>\$ 1,820,383</u>	<u>\$ 22,733,617</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012*

<b>Total Governmental Fund Balances</b>		\$ 5,949,043
 <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.		10,960,458
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 1,031,067	
Intergovernmental	<u>357,478</u>	
Total		1,388,545
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,530,624
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(46,531)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Energy Conservation Bonds	(3,190,709)	
Loan Payable	(73,000)	
Compensated Absences	<u>(2,395,081)</u>	
Total		<u>(5,658,790)</u>
<i>Net Assets of Governmental Activities</i>		<u>\$ 14,123,349</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 12,749,699	\$ 377,001	\$ 13,126,700
Intergovernmental	14,280,037	3,908,455	18,188,492
Investment Income	129,211	0	129,211
Tuition and Fees	825,755	0	825,755
Extracurricular Activities	193,980	238,150	432,130
Rentals	16,616	0	16,616
Charges for Services	26,590	538,394	564,984
Contributions and Donations	15,330	31,014	46,344
Payments in Lieu of Taxes	219,287	0	219,287
Miscellaneous	137,687	0	137,687
<i>Total Revenues</i>	<u>28,594,192</u>	<u>5,093,014</u>	<u>33,687,206</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	14,895,255	660,069	15,555,324
Special	3,656,088	1,209,593	4,865,681
Vocational	675,083	0	675,083
Other	952,081	0	952,081
Support Services:			
Pupils	1,652,264	27,136	1,679,400
Instructional Staff	942,976	712,773	1,655,749
Board of Education	90,601	0	90,601
Administration	2,371,356	102,023	2,473,379
Fiscal	836,636	9,843	846,479
Business	328,821	0	328,821
Operation and Maintenance of Plant	2,532,891	41,922	2,574,813
Pupil Transportation	1,144,979	1,700	1,146,679
Central	267,977	53,580	321,557
Extracurricular Activities	690,646	246,250	936,896
Operation of Non-Instructional Services:			
Food Service Operations	16,126	1,426,404	1,442,530
Community Services	0	178,724	178,724
Capital Outlay	16,194	267,906	284,100
Debt Service:			
Principal Retirement	210,246	13,000	223,246
Interest and Fiscal Charges	115,354	4,413	119,767
<i>Total Expenditures</i>	<u>31,395,574</u>	<u>4,955,336</u>	<u>36,350,910</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,801,382)</u>	<u>137,678</u>	<u>(2,663,704)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	2,571	2,571
Transfers Out	(2,571)	0	(2,571)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,571)</u>	<u>2,571</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,803,953)	140,249	(2,663,704)
<i>Fund Balances Beginning of Year</i>	<u>8,142,276</u>	<u>470,471</u>	<u>8,612,747</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,338,323</u>	<u>\$ 610,720</u>	<u>\$ 5,949,043</u>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (2,663,704)

*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 depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 53,337	
Current Year Depreciation	(431,006)	(377,669)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (10,228)

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

Property Taxes	116,809	
Intergovernmental	(125,063)	(8,254)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 223,246

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,067

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 670,616

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. 122,137

*Change in Net Assets of Governmental Activities* \$ (2,040,789)

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 13,879,335	\$ 13,597,792	\$ 13,598,283	\$ 491
Intergovernmental	15,072,391	14,281,284	14,280,037	(1,247)
Investment Income	86,430	81,893	81,886	(7)
Tuition and Fees	802,190	760,085	760,019	(66)
Extracurricular Activities	80,223	76,013	76,006	(7)
Rentals	18,498	17,528	17,526	(2)
Charges for Services	8,032	7,611	7,610	(1)
Contributions and Donations	8,331	7,894	7,893	(1)
Miscellaneous	340,571	322,695	322,667	(28)
<i>Total Revenues</i>	<u>30,296,001</u>	<u>29,152,795</u>	<u>29,151,927</u>	<u>(868)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,676,819	15,184,179	15,104,468	79,711
Special	3,716,392	3,844,863	3,824,679	20,184
Vocational	708,135	732,614	728,768	3,846
Other	938,808	971,262	966,163	5,099
Support Services:				
Pupils	1,683,715	1,741,919	1,732,775	9,144
Instructional Staff	997,684	1,032,172	1,026,754	5,418
Board of Education	137,242	141,986	141,241	745
Administration	2,234,804	2,312,058	2,299,921	12,137
Fiscal	823,980	852,464	847,989	4,475
Business	309,992	320,708	319,024	1,684
Operation and Maintenance of Plant	2,520,534	2,607,666	2,593,977	13,689
Pupil Transportation	1,152,310	1,192,144	1,185,886	6,258
Central	291,128	301,192	299,611	1,581
Extracurricular Activities	651,801	674,333	670,793	3,540
Operation of Non-Instructional Services:				
Food Service Operations	25,225	26,097	25,960	137
Capital Outlay	15,736	16,279	16,194	85
Debt Service:				
Principal Retirement	210,246	210,246	210,246	0
Interest and Fiscal Charges	115,354	115,354	115,354	0
<i>Total Expenditures</i>	<u>31,209,905</u>	<u>32,277,536</u>	<u>32,109,803</u>	<u>167,733</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(913,904)</u>	<u>(3,124,741)</u>	<u>(2,957,876)</u>	<u>166,865</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	15,780	0	0	0
Refund of Prior Year Expenditures	19,382	22,386	22,386	0
Advances In	146,543	153,489	153,489	0
Advances Out	(291,165)	(291,165)	(291,165)	0
Transfers Out	(20,913)	(20,913)	(20,913)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(130,373)</u>	<u>(136,203)</u>	<u>(136,203)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,044,277)	(3,260,944)	(3,094,079)	166,865
<i>Fund Balance Beginning of Year</i>	8,171,020	8,171,020	8,171,020	0
Prior Year Encumbrances Appropriated	218,663	218,663	218,663	0
<i>Fund Balance End of Year</i>	<u>\$ 7,345,406</u>	<u>\$ 5,128,739</u>	<u>\$ 5,295,604</u>	<u>\$ 166,865</u>

See accompanying notes to the basic financial statements.



**Ashland City School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2012*

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	Governmental Activities - Internal Service Fund
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 1,937,506
Accounts Receivable	620
	<hr/>
<i>Total Assets</i>	1,938,126
	<hr/>
<b>Liabilities</b>	
Intergovernmental Payable	12,462
Claims Payable	395,040
	<hr/>
<i>Total Liabilities</i>	407,502
	<hr/>
<b>Net Assets</b>	
Unrestricted	1,530,624
	<hr/>
<i>Total Net Assets</i>	\$ 1,530,624
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Governmental Activities - Internal Service Fund
<b>Operating Revenue</b>	
Charges for Services	\$ 5,058,400
Other	76,363
<i>Total Operating Revenues</i>	5,134,763
<b>Operating Expenses</b>	
Salaries and Wages	112,418
Fringe Benefits	24,163
Purchased Services	680,274
Claims	3,642,518
Other	5,076
<i>Total Operating Expenses</i>	4,464,449
<i>Operating Income</i>	670,314
<b>Non-Operating Revenue</b>	
Interest	302
<i>Change in Net Assets</i>	670,616
<i>Net Assets Beginning of Year</i>	860,008
<i>Net Assets End of Year</i>	\$ 1,530,624

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2012

	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 5,057,780
Other Cash Receipts	76,363
Cash Paid for Goods and Services	(680,274)
Cash Paid for Employee Services and Benefits	(127,218)
Cash Paid for Claims	(3,939,497)
Other Cash Payments	(5,076)
	382,078
<i>Net Cash Provided By Operating Activities</i>	<i>382,078</i>
<b>Cash Flows From Investing Activities</b>	
Interest on Investments	302
	302
<i>Net Increase in Cash and Investments</i>	<i>382,380</i>
<i>Cash and Investments Beginning of Year</i>	<i>1,555,126</i>
	<i>1,555,126</i>
<i>Cash and Investments End of Year</i>	<i>\$ 1,937,506</i>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating Income	\$ 670,314
Adjustments:	
(Increase) Decrease Assets:	
Accounts Receivable	(620)
Increase (Decrease) in Liabilities:	
Accrued Wages and Benefits	(535)
Intergovernmental Payable	9,898
Claims Payable	(296,979)
	(288,236)
<i>Total Adjustments</i>	<i>(288,236)</i>
<i>Net Cash Provided By Operating Activities</i>	<i>\$ 382,078</i>

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2012*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 53,225	\$ 57,177
Investments in Segregated Accounts	258,557	0
<i>Total Assets</i>	311,782	\$ 57,177
<b>Liabilities</b>		
Due to Students	0	\$ 57,177
<i>Total Liabilities</i>	0	\$ 57,177
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 311,782	

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 6,432
Investment Earnings	41,400
<i>Total Additions</i>	47,832
 <b>Deductions</b>	
Payments in Accordance with Trust Agreements	17,270
<i>Change in Net Assets</i>	30,562
<i>Net Assets Beginning of Year</i>	281,220
<i>Net Assets End of Year</i>	\$ 311,782

See accompanying notes to the basic financial statements.

**Ashland City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District’s six instructional/support facilities.

***Reporting Entity***

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

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

The School District is associated with the Tri-County Computer Service Association (TCCSA), which is defined as a jointly governed organization. A jointly governed organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 15.

The Ashland Public Library (the “Library”) is a related organization to the School District. The school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2012.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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

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

**A. Basis of Presentation**

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

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

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

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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***B. Fund Accounting***

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

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

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

The other governmental funds of the School District account for grants and other resources to which the District is bound to observe constraints imposed upon the use of the resources.

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

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

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

***C. Measurement Focus***

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



**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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***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.

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

Private Purpose Trust funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements. Agency funds do not report a measurement focus as they do not report operations.

***D. Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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**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, 2012, but which were levied to finance fiscal year 2013 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 agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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***F. Cash and Investments***

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

During fiscal year 2012, investments were limited to STAROhio, Federal Home Loan Mortgage Corporation notes, Federal National Mortgage Association notes, Federal Farm Credit Bank notes and stock certificates.

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

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

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a4 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2012.

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 2012 amounted to \$129,211, which includes \$38,317 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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**G. Capital Assets**

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

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

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

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

**H. Interfund Balances**

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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***I. Compensated Absences***

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

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

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

***J. 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 termination benefits 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 and loans are recognized as a liability on the fund financial statements when due.

***K. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2012, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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***L. Fund Balance***

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

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

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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***M. Interfund Activity***

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

***N. Operating Revenues and Expenses***

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

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

***P. Estimates***

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

**Note 3 – Accountability**

Fund balances at June 30, 2012 included the following individual fund deficits:

<i>Non-major Special Revenue Funds</i>	
Food Service	\$ 80,350
IDEA - B	3,285
Title I	4,752
Miscellaneous Federal Grants	4,947

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2012

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**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 (Non-GAAP Basis) and Actual, is presented on the budgetary basis for the general and major special revenue funds. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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

<b>Net Change in Fund Balance</b>	
	General
GAAP Basis	\$ (2,803,953)
Net Adjustment for Revenue Accruals	789,514
Advances In	153,489
Net Adjustment for Expenditure Accruals	(584,068)
Advances Out	(291,165)
Funds Budgeted Elsewhere **	(3,575)
Adjustment for Encumbrances	(354,321)
Budget Basis	\$ (3,094,079)

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting*,” certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes faculty lounge, uniform school supplies, adult education, rotary, public school support and unclaimed monies funds.



**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 5 - Deposits and Investments**

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

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

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

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

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

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2012

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2012, the School District and public depositories complied with the provisions of these statutes.

***Deposits with Financial Institutions***

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

At fiscal year-end, the carrying amount of the School District's deposits was \$3,125,911 which includes \$3,050 of cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2012, none of the School District's bank balance of \$3,292,187 was exposed to custodial risk as discussed above, while the entire bank balance was covered by Federal Deposit Insurance Corporation.

***Investments***

As of June 30, 2012, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities	
		6 Months or Less	More than 24 Months
Federal Home Loan Mortgage Corporation	\$ 803,240	\$ 0	\$ 803,240
Federal National Mortgage Association	3,310,736	0	3,310,736
Federal Farm Credit Bank	1,304,017	0	1,304,017
STAROhio	339,067	339,067	0
Total Investments	<u>\$ 5,757,060</u>	<u>\$ 339,067</u>	<u>\$ 5,417,993</u>

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2012

**Credit Risk.** The School District's investments in FHLMC, FNMA and FFCB were rated AAA by Standard and Poor's. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAm by Standard and Poor's.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in the State statute that prohibits payment for the investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by non-endowment funds of the School District at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal Home Loan Mortgage Corporation	\$ 803,240	13.95%
Federal National Mortgage Association	3,310,736	57.51%
Federal Farm Credit Bank	1,304,017	22.65%
STAROhio	339,067	5.89%
	<u>\$ 5,757,060</u>	<u>100.00%</u>

**Investments – Permanent Endowment Fund**

As of June 30, 2012, the School District's permanent endowment fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Stocks:		
Alcatel - Lucent	\$ 299	0.12%
AT&T	141,800	54.84%
CenturyLink, Inc.	3,791	1.47%
ComCast	24,011	9.29%
Exelon	7,526	2.91%
Fairpoint	131	0.05%
LSI Corp.	399	0.15%
NCR Corp.	2,344	0.91%
Teradata	7,402	2.86%
Verizon	49,826	19.27%
Frontier	1,045	0.40%
Vodafone	19,983	7.73%
Total	<u>\$ 258,557</u>	<u>100.00%</u>

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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**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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Ashland and Richland Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012 was \$2,843,557 in the general fund and \$84,249 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$3,692,141 in the general fund and \$108,660 in the permanent improvement capital projects fund.

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2012

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The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 458,725,710	96.69%	\$ 426,075,200	96.42%
Public Utility Personal	15,200,120	3.20%	15,830,930	3.58%
Tangible Personal Property	539,230	0.11%	0	0.00%
Total Assessed Values	\$ 474,465,060	100.00%	\$ 441,906,130	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 62.25		\$ 62.25	

**Note 7 - Receivables**

Receivables at June 30, 2012, consisted of taxes, accounts (rent, student fees and tuition), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal Funds. All receivables are expected to be collected within one year.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2012

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance 06/30/2011	Additions	Deletions	Balance 06/30/2012
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated</i>				
Land	\$ 757,979	\$ 0	\$ 0	\$ 757,979
<i>Capital Assets being depreciated</i>				
Land Improvements	575,283	5,400	0	580,683
Buildings and Improvements	19,460,996	5,530	0	19,466,526
Furniture, Fixtures and Equipment	4,236,149	16,591	(5,995)	4,246,745
Vehicles	1,786,885	25,816	(16,070)	1,796,631
<i>Total Capital Assets Being Depreciated</i>	26,059,313	53,337	(22,065)	26,090,585
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(339,665)	(6,901)	0	(346,566)
Buildings and Improvements	(11,482,460)	(201,838)	0	(11,684,298)
Furniture, Fixtures and Equipment	(2,762,814)	(79,849)	749	(2,841,914)
Vehicles	(883,998)	(142,418)	11,088	(1,015,328)
<i>Total Accumulated Depreciation</i>	(15,468,937)	(431,006) *	11,837	(15,888,106)
<i>Total Capital Assets Being Depreciated, Net</i>	10,590,376	(377,669)	(10,228)	10,202,479
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 11,348,355</u>	<u>\$ (377,669)</u>	<u>\$ (10,228)</u>	<u>\$ 10,960,458</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2012

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

Instruction:			
Regular	\$	87,213	
Special		10,426	
Vocational		4,948	
Support Services:			
Instructional Staff		5,143	
Administration		5,572	
Business		735	
Operation and Maintenance of Plant		125,935	
Pupil Transportation		129,471	
Central		921	
Operation of Non-Instructional Services:			
Food Service Operations		28,513	
Community Services		970	
Extracurricular Activities		31,159	
		<u>31,159</u>	
<i>Total Depreciation</i>	<u>\$</u>	<u>431,006</u>	

**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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$395,040, reported in the fund at year end, was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$70,000 per employee.

Changes in fund's claims liability for the fiscal years 2012 and 2011 are as follows:

	<u>Balance</u>		<u>Current</u>		<u>Claims</u>		<u>Balance</u>
	Beginning of Year		Year Claims		Payments		End of Year
2011	\$ 552,068	\$	4,831,836	\$	4,691,885	\$	692,019
2012	\$ 692,019	\$	3,642,518	\$	3,939,497	\$	395,040

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

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 10 - Defined Benefit Pension Plans**

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 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 and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$520,204, \$515,994 and \$514,062, respectively; 31 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

***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 publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.



**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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

Funding Policy - For fiscal year 2012, 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 employer contributions. 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 STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,481,832, \$2,117,960 and \$1,984,446, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$86,525 made by the School District and \$61,804 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 of Ohio have an option to choose Social Security of the School Retirement System. As of June 30, 2012, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**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, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$20,510, \$52,705, and \$18,503, respectively; 31 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$27,968, \$28,011, and \$30,570, respectively; 31 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the 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 2012, 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, 2012, 2011, and 2010 were \$177,274, \$151,283, and \$152,650, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2012

**Note 12 - Long-Term Obligations**

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
H.B. 264 Energy Conservation Bonds	3.50%	\$ 3,800,000	December 1, 2023
Land Purchase Loan	4.50% to 5.10%	178,000	July 1, 2017

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Principal Outstanding 06/30/2011	Additions	Deductions	Principal Outstanding 06/30/2012	Amounts Due Within One Year
<b>Governmental Activities</b>					
H.B. 264 Energy Conservation Bonds	\$ 3,400,955	\$ 0	\$ (210,246)	\$ 3,190,709	\$ 217,736
Land Purchase Loan	86,000	0	(13,000)	73,000	13,000
Compensated Absences	2,517,218	197,348	(319,485)	2,395,081	481,221
<i>Total Governmental Activities</i>					
<i>Long-Term Obligations</i>	<u>\$ 6,004,173</u>	<u>\$ 197,348</u>	<u>\$ (542,731)</u>	<u>\$ 5,658,790</u>	<u>\$ 711,957</u>

**House Bill 264 Energy Conservation Bonds** During 2009, the School District issued \$3,800,000 of bonds for the purpose performing various upgrades to the buildings throughout the School District. The repayment of this debt is from property tax revenue received in the general fund.

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

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

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2012 are as follows:

Fiscal Year	Land Purchase Loan		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 13,000	\$ 3,698	\$ 217,736	\$ 107,864
2013	14,000	3,272	225,492	100,108
2014	15,000	2,396	233,525	92,075
2015	15,000	1,658	241,844	83,756
2016	16,000	862	250,459	75,141
2017-2021	0	0	1,392,660	235,344
2022-2024	0	0	628,993	22,207
Total	<u>\$ 73,000</u>	<u>\$ 11,886</u>	<u>\$ 3,190,709</u>	<u>\$ 716,495</u>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 13 – Interfund Activity**

***A. Interfund Balances***

Interfund Balances at June 30, 2012, consist of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 141,165	\$ 0
Title VI-B	0	2,394
Title I	0	100,197
Miscellaneous Federal Grants	0	38,574
Total	<u>\$ 141,165</u>	<u>\$ 141,165</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances are expected to be repaid during fiscal year 2012.

***B. Interfund Transfers***

Interfund transfers in the amount of \$2,571 were made from the general fund to the Title II-A fund to provide additional resources for current operations.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2012

**Note 14 – Fund Balance**

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

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

	General	Other Governmental Funds	Total
Nonspendable for:			
Unclaimed Monies	\$ 10,487	\$ 0	\$ 10,487
Restricted for:			
Debt Service	0	59,883	59,883
Capital Outlay	0	259,900	259,900
Extracurricular Activities	0	294,524	294,524
State and Federal Programs	0	66,125	66,125
Other Purposes	0	23,622	23,622
Total Restricted	0	704,054	704,054
Assigned for:			
Encumbrances:			
Instruction	108,437	0	108,437
Support Services	175,399	0	175,399
Other	2,526	0	2,526
Subsequent Year Appropriations	1,279,189	0	1,279,189
Total Assigned	1,565,551	0	1,565,551
Unassigned	3,762,285	(93,334)	3,668,951
<i>Total Fund Balances</i>	<i>\$ 5,338,323</i>	<i>\$ 610,720</i>	<i>\$ 5,949,043</i>

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2012

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**Note 15 - Jointly Governed Organization**

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

**Note 16 - Set-Asides**

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

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

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2011	\$ 0
Current Year Set-aside Requirement	587,986
Current Year Qualified Expenditures	(285,319)
Current Year Offsets	(494,492)
Totals	\$ (191,825)
Balance Carried Forward to Fiscal Year 2013	\$ 0
Set-aside Reserve Balance as of June 30, 2012	\$ 0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

**Ashland City School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 17 - Contingencies**

***A. Review of Statewide Attendance Data***

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

***B. 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

***C. Litigation***

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

October 31, 2012

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

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

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Ashland City School District, Ohio (the "School District") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 to be material weaknesses, as defined above.



Ashland City School District  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Based On an Audit of Financial Statements Performed In  
Accordance with Government Auditing Standards  
October 31, 2012  
Page 2

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the School District in a separate letter dated October 31, 2012.

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

*Rea & Associates, Inc.*

October 31, 2012

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Ashland City School District, 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 have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Ashland City School District  
Independent Auditor's Report On Compliance With Requirements  
That Could Have A Direct And Material Effect On Each Major  
Program And Internal Control Over Compliance In Accordance With  
OMB Circular A-133

October 31, 2012

Page 2

Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

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

*Rea & Associates, Inc.*

**ASHLAND CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>				
<i>Title I Cluster</i>				
Title I - ARRA	84.389	2011	\$ -	\$ 6,416
Title I Delinquent - ARRA	84.389	2011	-	9
Title I	84.010	2012	1,011,723	1,029,901
Title I	84.010	2011	17,299	13,906
Title I Delinquent	84.010	2012	16,041	15,873
Title I Delinquent	84.010	2011	73	810
Total Title I Cluster			1,045,136	1,066,915
<i>Special Education Cluster</i>				
IDEA-B - ARRA	84.391	2011	-	8,109
IDEA-B - Discretionary Award	84.027	2012	17,009	19,403
IDEA-B	84.027	2012	763,367	696,512
IDEA-B	84.027	2011	39,696	101,204
IDEA-B	84.027	2010	-	33
Total Special Education Cluster			820,072	825,261
Safe and Drug-Free Schools and Communities	84.186	2011	-	32
Total Safe and Drug-Free Schools and Communities			-	32
State Fiscal Stabilization Fund - ARRA	84.394	2011	-	125,597
Total State Fiscal Stabilization Fund			-	125,597
<i>Title II-D Cluster</i>				
Title II-D - ARRA	84.386	2011	-	28,822
Title II-D	84.318	2012	9,414	9,414
Total Title II-D Cluster			9,414	38,236
Title II-A	84.367	2012	144,757	126,725
Title II-A	84.367	2011	9,407	20,741
Total Title II-A			154,164	147,466
Education Jobs Fund	84.410	2012	399,873	400,168
Education Jobs Fund	84.410	2011	-	14,070
Total Education Jobs Fund			399,873	414,238
Rural and Low-Income	84.358	2012	49,200	41,367
Total Rural and Low-Income			49,200	41,367
Total Passed Through Ohio Department of Education			2,477,859	2,659,112
<b>(Direct Awards):</b>				
Ashland Fitness Technology based Education Revolution Initiative - Title VD	84.215F	Q215F100260 -2011	24,015	33,948
Ashland Fitness Technology based Education Revolution Initiative - Title VD	84.215F	Q215F100260-2012	117,041	115,973
Total Title VD			141,056	149,921
Total Direct Awards			141,056	149,921
<b>Total U.S. Department of Education</b>			2,618,915	2,809,033
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>				
<i>Child Nutrition Cluster</i>				
Cash Assistance:				
School Breakfast Program	10.553	2012	149,765	149,765
Total School Breakfast Program			149,765	149,765
Non-Cash Assistance:				
National School Lunch Program	10.555	2012	74,745	74,745
Cash Assistance:				
National School Lunch Program	10.555	2012	654,951	654,951
Total National School Lunch Program			729,696	729,696
Total Child Nutrition Cluster			879,461	879,461
Fruit and Vegetable Program	10.582	2012	18,113	18,113
<b>Total U.S. Department of Agriculture</b>			897,574	897,574
<b>Total Federal Financial Assistance</b>			\$ 3,516,489	\$ 3,706,607

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

**NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Note A – Basis of Accounting**

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

**Note B - Child Nutrition Cluster**

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

**Note C – Food Donation Program**

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

**Note D - Transfers**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2012, the ODE authorized the following transfers:

<u>CFDA #</u>	<u>Grant Title</u>	<u>Grant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.367	Title II-A: Improving Teacher Quality	2011	\$ 4,482	
84.367	Title II-A: Improving Teacher Quality	2012		\$ 4,482
84.010	Title I	2011	12,522	
84.010	Title I	2012		12,522
84.010	Title I Delinquent	2011	401	
84.010	Title I Delinquent	2012		401
84.027	IDEA Part B	2011	11,741	
84.027	IDEA Part B	2012		11,741
84.410	Education Jobs Fund	2011	295	
84.410	Education Jobs Fund	2012		295

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012**

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

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster State Fiscal Stabilization Fund Child Nutrition Cluster	CFDA # 84.027/84.391 (ARRA) 84.394 (ARRA) 10.553/10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

**NONE**

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

**NONE**

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133, SECTION .315(b)  
JUNE 30, 2012**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2011-001	Significant Deficiency-Insufficient controls over time and effort logs related to Title VI-B.	Yes	Corrected

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# Dave Yost • Auditor of State

**ASHLAND CITY SCHOOL DISTRICT**

**ASHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 18, 2012**