



Dave Yost • Auditor of State



**FEDERAL HOCKING LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

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

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

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

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

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

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

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

**Opinion**

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

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding these matters.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) presents additional analysis and is not a required part of the basic financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 24, 2014

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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The discussion and analysis of the Federal Hocking Local 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, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2013 are as follows:

- Net position of governmental activities increased \$496,386.
- General revenues accounted for \$11,253,592 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,689,053 or 19% of total revenues of \$13,942,645.
- The School District had \$13,446,259 in expenses related to governmental activities; only \$2,689,053 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$11,253,592 were adequate to provide for these programs.
- The School District's two major funds were the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund's balance increased \$700,633 as well as the Permanent Improvement Capital Projects Fund's balance of \$73,306.

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

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

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

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

#### *Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question.

## Federal Hocking Local School District, Ohio

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

Unaudited

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

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

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

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

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

### **The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

Unaudited

Table 1  
Net Position

	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$8,946,670	\$8,096,828	\$849,842
Capital Assets, Net	8,396,689	8,631,089	(234,400)
<i>Total Assets</i>	<u>17,343,359</u>	<u>16,727,917</u>	<u>615,442</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	4,767	0	4,767
<b>Liabilities</b>			
Current and Other Liabilities	1,439,008	1,335,320	103,688
Long-term Liabilities	952,934	1,054,142	(101,208)
<i>Total Liabilities</i>	<u>2,391,942</u>	<u>2,389,462</u>	<u>2,480</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	2,768,095	2,646,752	121,343
<b>Net Position</b>			
Net Investment in Capital Assets	7,988,339	8,171,086	(182,747)
Restricted	1,348,918	1,444,433	(95,515)
Unrestricted	2,850,832	2,076,184	774,648
<i>Total Net Position</i>	<u>\$12,188,089</u>	<u>\$11,691,703</u>	<u>\$496,386</u>

Total assets increased \$615,442. This increase was mainly due to an increase in cash and cash equivalents of \$783,747 and an increase in property taxes receivable of \$144,069. These increases in assets were offset by a decrease in capital assets in the amount of \$234,400, primarily due to current year depreciation exceeding capital asset additions.

Total liabilities did not change significantly. Other liabilities increased \$103,688 primarily due to an increase in accrued wages and benefits payable of \$227,447. This increase was offset slightly by a decrease in intergovernmental payable of \$57,061 and a decrease in matured compensated absences payable of \$50,502. Long-term liabilities decreased as a direct result of the School District making debt payments totaling \$65,000 in fiscal year 2013.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013, and comparisons to fiscal year 2012.

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

Unaudited

Table 2  
Changes in Net Position

	2013	2012	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$783,611	\$666,265	\$117,346
Operating Grants, Contributions and Interest	1,905,442	2,246,992	(341,550)
Total Program Revenues	<u>2,689,053</u>	<u>2,913,257</u>	<u>(224,204)</u>
General Revenues			
Property Taxes	3,157,318	3,217,930	(60,612)
Grants and Entitlements	8,008,473	7,670,633	337,840
Investment Earnings	4,455	4,517	(62)
Miscellaneous	83,346	59,390	23,956
Gifts and Donations	0	1,000	(1,000)
Gain on Sale of Capital Assets	0	3,437	(3,437)
Total General Revenues	<u>11,253,592</u>	<u>10,956,907</u>	<u>296,685</u>
Total Revenues	<u>13,942,645</u>	<u>13,870,164</u>	<u>72,481</u>
<b>Program Expenses</b>			
Instruction:			
Regular	6,671,966	6,271,804	400,162
Special	1,574,899	1,660,793	(85,894)
Vocational	245,200	226,166	19,034
Student Intervention Services	1,100	0	1,100
Support Services:			
Pupils	360,536	316,461	44,075
Instructional Staff	411,926	427,688	(15,762)
Board of Education	29,329	44,352	(15,023)
Administration	911,961	1,240,514	(328,553)
Fiscal	387,537	363,360	24,177
Operation and Maintenance of Plant	940,397	888,488	51,909
Pupil Transportation	1,183,609	1,206,224	(22,615)
Central	53,996	63,038	(9,042)
Operation of Non-Instructional Services:			
Food Service Operations	486,341	574,606	(88,265)
Other	12,727	12,733	(6)
Extracurricular Activities	137,043	131,403	5,640
Interest and Fiscal Charges	37,692	24,675	13,017
Total Expenses	<u>13,446,259</u>	<u>13,452,305</u>	<u>(6,046)</u>
Change in Net Position	496,386	417,859	78,527
Net Position Beginning of Year	11,691,703	11,273,844	417,859
Net Position End of Year	<u>\$12,188,089</u>	<u>\$11,691,703</u>	<u>\$496,386</u>

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

Total revenues increased \$72,481 from fiscal year 2012 to fiscal year 2013. This increase was due to an increase in the grants and entitlements in the amount of \$337,840. In addition, charges for services increased in the amount of \$117,346. These increases were offset by a decrease in operating grants of \$341,550.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 23% of revenues for governmental activities for the School District in fiscal year 2013.

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

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013	2013	2012	2012
<b>Program Expenses</b>				
Instruction:				
Regular	6,671,966	\$5,630,588	6,271,804	\$5,456,629
Special	1,574,899	1,045,852	1,660,793	986,792
Vocational	245,200	141,717	226,166	123,723
Student Intervention Services	1,100	1,100	0	0
Support Services:				
Pupils	360,536	232,623	316,461	215,650
Instructional Staff	411,926	322,789	427,688	330,649
Board of Education	29,329	29,329	44,352	44,352
Administration	911,961	815,686	1,240,514	842,144
Fiscal	387,537	387,042	363,360	363,231
Operation and Maintenance of Plant	940,397	934,517	888,488	879,776
Pupil Transportation	1,183,609	1,148,970	1,206,224	1,179,705
Central	53,996	26,918	63,038	23,908
Operation of Non-Instructional Services:				
Food Service Operations	486,341	(63,127)	574,606	(15,550)
Other	12,727	(10,600)	12,733	6,092
Extracurricular Activities	137,043	76,110	131,403	77,272
Interest and Fiscal Charges	37,692	37,692	24,675	24,675
<b>Total</b>	<u>\$13,446,259</u>	<u>\$10,757,206</u>	<u>\$13,452,305</u>	<u>\$10,539,048</u>

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

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

Unaudited

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The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2013, approximately 80% of instructional activities were supported through taxes and other general revenues.

### **The School District Funds**

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$11,437,993 and expenditures of \$10,732,506. The General Fund's balance increased \$700,633.

The fund balance of the Permanent Improvement Capital Projects Fund at June 30, 2013, is \$595,397, an increase of \$73,306 from the prior year primarily due to a decrease in board of education expenditures.

### ***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 2013, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The General Fund had original revenue budget estimates of \$10,932,809. The original budget estimates were increased to the final budget of \$11,283,374. Actual revenues were \$6,914 above final budget estimates.

Original appropriations plus prior year encumbrances were \$10,952,672. The appropriations were increased to the final budget of \$10,953,213. Actual expenditures were under appropriations by \$236,464 due to the School District monitoring their spending during fiscal year 2013.

The School District's ending unobligated General Fund balance was \$3,783,630.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2013, the School District had \$8,396,689 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2013 balances compared to 2012.

**Federal Hocking Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited*

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Table 4  
Capital Assets  
(Net of Depreciation)

	2013	2012
Land	\$44,623	\$44,623
Land Improvements	209,462	238,302
Buildings and Improvements	7,095,953	7,310,077
Furniture and Equipment	464,186	518,843
Vehicles	582,465	519,244
Totals	<u>\$8,396,689</u>	<u>\$8,631,089</u>

See Note 11 to the basic financial statements for more information on capital assets.

***Debt***

At June 30, 2013, the School District had \$395,000 in bonds outstanding.

Table 5  
Outstanding Debt, at Fiscal Year End

	2013	2012
2008 School Improvement Refunding Bonds	<u>\$395,000</u>	<u>\$460,000</u>

See Note 17 to the basic financial statements for more information on debt.

**Economic Factors**

On September 4, 2013, the School District was notified that Holzer Health System had filed an application for real property tax exemption with the Athens County Auditor and, subsequently, the State of Ohio. The granting of this exemption will reduce the School District's real property tax collections by approximately \$96,500, or a reduction of approximately 32% of the School District's commercial real estate tax revenue. The School District has filed a notice of intent to oppose the application and participate in the proceeding. To date, there has been no judgment rendered by the Ohio Department of Taxation.

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

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Bruce Steenrod, Treasurer/CFO at Federal Hocking Local School District, 8461 State Route 144, Stewart, Ohio 45778. Or E-Mail at [BSteenrod@fedhock.com](mailto:BSteenrod@fedhock.com).

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**Federal Hocking Local School District, Ohio**

*Statement of Net Position*

*June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,012,848
Cash and Cash Equivalents in Segregated Accounts	120
Intergovernmental Receivable	500,164
Accounts Receivable	25,129
Prepaid Items	17,965
Inventory Held for Resale	6,072
Materials and Supplies Inventory	17,119
Property Taxes Receivable	3,367,253
Nondepreciable Capital Assets	44,623
Depreciable Capital Assets, Net	<u>8,352,066</u>
<i>Total Assets</i>	<u>17,343,359</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>4,767</u>
<b>Liabilities</b>	
Accounts Payable	63,950
Accrued Wages and Benefits Payable	957,237
Accrued Interest Payable	1,178
Matured Compensated Absences Payable	47,552
Intergovernmental Payable	369,091
Long-Term Liabilities:	
Due Within One Year	145,279
Due In More Than One Year	<u>807,655</u>
<i>Total Liabilities</i>	<u>2,391,942</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>2,768,095</u>
<b>Net Position</b>	
Net Investment in Capital Assets	7,988,339
Restricted for:	
Capital Projects	642,420
Debt Service	265,716
Other Purposes	440,782
Unrestricted	<u>2,850,832</u>
<i>Total Net Position</i>	<u><u>\$12,188,089</u></u>

See accompanying notes to the basic financial statements.

**Federal Hocking Local School District, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2013*

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$6,671,966	\$557,495	\$483,883	(\$5,630,588)
Special	1,574,899	66,966	462,081	(1,045,852)
Vocational	245,200		103,483	(141,717)
Student Intervention Services	1,100			(1,100)
Support Services:				
Pupils	360,536		127,913	(232,623)
Instructional Staff	411,926		89,137	(322,789)
Board of Education	29,329			(29,329)
Administration	911,961		96,275	(815,686)
Fiscal	387,537		495	(387,042)
Operation and Maintenance of Plant	940,397	160	5,720	(934,517)
Pupil Transportation	1,183,609		34,639	(1,148,970)
Central	53,996	18,676	8,402	(26,918)
Operation of Non-Instructional Services:				
Other	12,727	448	22,879	10,600
Food Service Operations	486,341	88,727	460,741	63,127
Extracurricular Activities	137,043	51,139	9,794	(76,110)
Interest and Fiscal Charges	37,692			(37,692)
<i>Totals</i>	<u>\$13,446,259</u>	<u>\$783,611</u>	<u>\$1,905,442</u>	<u>(10,757,206)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
				2,615,504
				60,867
				438,110
				42,837
				8,008,473
				4,455
				83,346
				<u>11,253,592</u>
				496,386
				<u>11,691,703</u>
				<u>\$12,188,089</u>

See accompanying notes to the basic financial statements.

**Federal Hocking Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2013*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,732,961	\$571,801	\$708,086	\$5,012,848
Cash and Cash Equivalents in Segregated Accounts			120	120
Receivables:				
Property Taxes	2,840,370	422,023	104,860	3,367,253
Accounts	13,244	353	11,532	25,129
Intergovernmental	105,864		394,300	500,164
Interfund	136,810			136,810
Prepaid Items	17,965			17,965
Inventory Held for Resale			6,072	6,072
Materials and Supplies Inventory	12,410		4,709	17,119
<i>Total Assets</i>	<u>\$6,859,624</u>	<u>\$994,177</u>	<u>\$1,229,679</u>	<u>\$9,083,480</u>
<b>Liabilities</b>				
Accounts Payable	\$46,483	\$15,545	\$1,922	\$63,950
Accrued Wages and Benefits Payable	820,634		136,603	957,237
Matured Compensated Absences Payable	47,552			47,552
Interfund Payable			136,810	136,810
Intergovernmental Payable	221,378		147,713	369,091
<i>Total Liabilities</i>	<u>1,136,047</u>	<u>15,545</u>	<u>423,048</u>	<u>1,574,640</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	2,346,817	336,212	85,066	2,768,095
Unavailable Revenue	280,274	47,023	186,283	513,580
<i>Total Deferred Inflows of Resources</i>	<u>2,627,091</u>	<u>383,235</u>	<u>271,349</u>	<u>3,281,675</u>
<b>Fund Balances</b>				
Nonspendable	30,375		4,709	35,084
Restricted		595,397	686,787	1,282,184
Committed	11,000		11,268	22,268
Assigned	78,946			78,946
Unassigned	2,976,165		(167,482)	2,808,683
<i>Total Fund Balances</i>	<u>3,096,486</u>	<u>595,397</u>	<u>535,282</u>	<u>4,227,165</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$6,859,624</u>	<u>\$994,177</u>	<u>\$1,229,679</u>	<u>\$9,083,480</u>

See accompanying notes to the basic financial statements.

**Federal Hocking Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2013*

<b>Total Governmental Fund Balances</b>		<b>\$4,227,165</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,396,689
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	329,469	
Intergovernmental Revenue	177,175	
Student Fees	1,475	
Miscellaneous Revenues	5,461	513,580
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(1,178)
Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		4,767
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds Payable	(445,260)	
Compensated Absences Payable	(507,674)	(952,934)
Net Position of Governmental Activities		<b>\$12,188,089</b>

See accompanying notes to the basic financial statements.

**Federal Hocking Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2013*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$2,594,839	\$434,607	\$103,187	\$3,132,633
Intergovernmental	8,090,154	71,002	1,789,690	9,950,846
Investment Earnings	4,455		100	4,555
Tuition and Fees	554,956			554,956
Extracurricular Activities	28,671		51,139	79,810
Rent	160			160
Charges for Services	70,358		88,727	159,085
Gifts and Donations	19,445	2,000	37,274	58,719
Miscellaneous	74,955	31,331	13,424	119,710
<i>Total Revenues</i>	<u>11,437,993</u>	<u>538,940</u>	<u>2,083,541</u>	<u>14,060,474</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,923,159	124,018	490,024	6,537,201
Special	985,370		578,937	1,564,307
Vocational	226,850		7,917	234,767
Student Intervention Services	1,100			1,100
Support Services:				
Pupils	191,187		153,299	344,486
Instructional Staff	269,660	1,437	118,528	389,625
Board of Education	42,946	7,078		50,024
Administration	770,306	9,475	112,623	892,404
Fiscal	355,793	15,031	4,648	375,472
Operation and Maintenance of Plant	825,181	85,659	14,650	925,490
Pupil Transportation	1,014,835	222,936		1,237,771
Central	59,979			59,979
Operation of Non-Instructional Services	1,005		485,978	486,983
Extracurricular Activities	65,135		57,261	122,396
Debt Service:				
Principal Retirement			65,000	65,000
Interest and Fiscal Charges			15,194	15,194
<i>Total Expenditures</i>	<u>10,732,506</u>	<u>465,634</u>	<u>2,104,059</u>	<u>13,302,199</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>705,487</u>	<u>73,306</u>	<u>(20,518)</u>	<u>758,275</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			4,854	4,854
Transfers Out	(4,854)			(4,854)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,854)</u>	<u>0</u>	<u>4,854</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	700,633	73,306	(15,664)	758,275
<i>Fund Balances Beginning of Year</i>	<u>2,395,853</u>	<u>522,091</u>	<u>550,946</u>	<u>3,468,890</u>
<i>Fund Balances End of Year</i>	<u>\$3,096,486</u>	<u>\$595,397</u>	<u>\$535,282</u>	<u>\$4,227,165</u>

See accompanying notes to the basic financial statements.

**Federal Hocking Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

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**Net Change in Fund Balances - Total Governmental Funds** \$758,275

*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	235,798	
Depreciation Expense	<u>(470,198)</u>	(234,400)

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

Delinquent Property Taxes	24,685	
Intergovernmental Revenue	(95,750)	
Student Fees	(10,400)	
Miscellaneous	<u>(36,364)</u>	(117,829)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 65,000

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

Accrued Interest Payable	(15,635)	
Amortization of Premium	3,344	
Amortization of Deferred Amount on Refunding	(880)	
Annual Accretion	<u>(9,327)</u>	(22,498)

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. 47,838

*Change in Net Position of Governmental Activities* \$496,386

See accompanying notes to the financial statements.

**Federal Hocking Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$2,658,284	\$2,596,315	\$2,596,316	\$1
Intergovernmental	7,814,620	8,050,528	8,069,218	18,690
Investment Earnings	4,500	4,500	4,455	(45)
Tuition and Fees	387,500	557,918	554,796	(3,122)
Extracurricular Activities	27,850	27,948	28,671	723
Rent	3,200		160	160
Charges for Services	2,875	3,125	3,392	267
Gifts and Donations	25,340	29,920	19,445	(10,475)
Miscellaneous	8,640	13,120	13,835	715
<i>Total Revenues</i>	<u>10,932,809</u>	<u>11,283,374</u>	<u>11,290,288</u>	<u>6,914</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,781,138	10,781,138	5,877,486	4,903,652
Special	1,311	1,311	977,937	(976,626)
Vocational	4,307	4,307	213,241	(208,934)
Support Services:				
Pupils			198,584	(198,584)
Instructional Staff			278,324	(278,324)
Board of Education			42,764	(42,764)
Administration	2,289	2,289	757,182	(754,893)
Fiscal	2,102	2,102	361,237	(359,135)
Operation and Maintenance of Plant	108,299	108,299	859,625	(751,326)
Pupil Transportation	12,136	12,136	1,028,308	(1,016,172)
Central	40,602	41,143	55,164	(14,021)
Operation of Non-Instructional Services			1,005	(1,005)
Extracurricular Activities	488	488	65,892	(65,404)
<i>Total Expenditures</i>	<u>10,952,672</u>	<u>10,953,213</u>	<u>10,716,749</u>	<u>236,464</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(19,863)</u>	<u>330,161</u>	<u>573,539</u>	<u>243,378</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures		100,000	103,555	3,555
Transfers Out			(4,854)	(4,854)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>100,000</u>	<u>98,701</u>	<u>(1,299)</u>
<i>Net Change in Fund Balance</i>	(19,863)	430,161	672,240	242,079
<i>Fund Balance Beginning of Year</i>	2,960,629	2,960,629	2,960,629	0
Prior Year Encumbrances Appropriated	150,761	150,761	150,761	0
<i>Fund Balance End of Year</i>	<u>\$3,091,527</u>	<u>\$3,541,551</u>	<u>\$3,783,630</u>	<u>\$242,079</u>

See accompanying notes to the basic financial statements.

**Federal Hocking Local School District, Ohio**

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2013*

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	Private Purpose Trust	
	Scholarship Fund	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$3,478	\$25,916
Accrued Interest Receivable	76	
Investments	257,301	
<i>Total Assets</i>	<u>260,855</u>	<u>\$25,916</u>
<b>Liabilities</b>		
Due to Students		\$25,916
<i>Total Liabilities</i>	<u>0</u>	<u>\$25,916</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$260,855</u>	

See accompanying notes to the basic financial statements.

**Federal Hocking Local School District, Ohio**

*Statement of Changes in Net Position*

*Private Purpose Trust Fund*

*For the Fiscal Year Ended June 30, 2013*

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	Private Purpose Trust
	<u>Scholarship Fund</u>
<b>Additions</b>	
Investment Earnings	\$2,040
<b>Deductions</b>	
Scholarships	<u>3,701</u>
<i>Change in Net Position</i>	(1,661)
<i>Net Position Beginning of Year</i>	<u>262,516</u>
<i>Net Position End of Year</i>	<u><u>\$260,855</u></u>

See accompanying notes to the basic financial statements.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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

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

The School District is a rural school located in Athens County, in the Appalachian region of the State, and consists of the villages of Amesville, Coolville, Guysville, and Stewart. The School District is staffed by 83 certificated employees and 55 classified employees who provide services to 1,211 students. The School District currently operates two elementary schools, one middle school, one high school, and one garage.

#### **Reporting Entity:**

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

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

The School District participates in two jointly governed organizations and four insurance purchasing pools. These organizations are the Tri-Rivers Educational Computer Association, the Coalition of Rural and Appalachian Schools, the Ohio School Plan, the Ohio School Comp Workers’ Compensation Group Retrospective Rating Program, the Metropolitan Educational Council, and the Athens County School Employee Health and Welfare Benefit Association. These organizations are presented in Notes 18 and 19 to the basic financial statements.

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

The basic financial statements of the Federal Hocking Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described as follows:

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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### **A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements usually distinguish between those activities that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

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

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

### **B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. 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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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**General Fund** The General Fund accounts for and reports 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 and transferred to the general laws of Ohio.

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

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

### **Fiduciary Funds:**

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

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

#### **Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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

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

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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### **Revenues - Exchange and Non-Exchange Transactions**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, fees, and rentals.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, student fees, and intergovernmental and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

### **Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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

### **E. Budgetary Process**

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

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

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

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

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

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

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

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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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 2013 amounted to \$4,455, which includes \$862 assigned from other School District funds.

**G. Inventory**

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**I. Capital Assets**

The School District’s only capital assets are general capital assets resulting from expenditures in the governmental funds. General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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### **J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for the accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees with seventeen or more years of current service with the School District.

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

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

### **K. Bond Premium**

On government-wide financial statement, bond premiums are amortized over the term of the bonds using the straight-line method, which approximates effective interest method. Bond premiums are presented as an addition of the face amount of the bonds. On the governmental fund statements, bond premiums are recorded in the fiscal year the bonds are issued.

### **L. Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

### **M. Accrued Liabilities and Long-Term Obligations**

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

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

## Federal Hocking Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 201

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### **N. Internal Activity**

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

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

### **O. Fund Balance**

Fund balance is divided into five classifications 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 classifications are as follows:

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

**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 determined 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 the 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 the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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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 the amounts in any of the unrestricted fund balance classifications could be used.

### **P. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, scholarships, athletic and music activities, and federal, state, and local grants restricted to expenditure for specified purposes.

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

### **Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items reported for fiscal year 2013.

### **R. Estimates**

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

### **NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements;" Statement No. 61, "The Financial Reporting Entity: Omnibus;" Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements;" Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;" Statement No. 65, "Items Previously Reported as Assets and Liabilities;" and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

**NOTE 4 - FUND BALANCES**

Fund balance is 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 governmental funds are presented below:

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Prepays	\$17,965	\$0	\$0	\$17,965
Materials and Supplies Inventory	12,410	0	4,709	17,119
<i>Total Nonspendable</i>	<u>30,375</u>	<u>0</u>	<u>4,709</u>	<u>35,084</u>
<u>Restricted for:</u>				
Local Grant Expenditures	0	0	16,632	16,632
Food Service Operations	0	0	178,080	178,080
State Grant Expenditures	0	0	121,602	121,602
Athletic and Music Programs	0	0	5,848	5,848
Debt Service Payments	0	0	260,311	260,311
Capital Improvements	0	595,397	104,314	699,711
<i>Total Restricted</i>	<u>0</u>	<u>595,397</u>	<u>686,787</u>	<u>1,282,184</u>
<u>Committed to:</u>				
Scholarships	0	0	11,268	11,268
Underground Storage Tanks	11,000	0	0	11,000
<i>Total Restricted</i>	<u>11,000</u>	<u>0</u>	<u>11,268</u>	<u>22,268</u>
<u>Assigned to:</u>				
Encumbrances	51,663	0	0	51,663
Public School Support	27,283	0	0	27,283
<i>Total Assigned</i>	<u>78,946</u>	<u>0</u>	<u>0</u>	<u>78,946</u>
Unassigned:	2,976,165	0	(167,482)	2,808,683
<i>Total Fund Balances</i>	<u>\$3,096,486</u>	<u>\$595,397</u>	<u>\$535,282</u>	<u>\$4,227,165</u>

**NOTE 5 - FUND DEFICITS**

The following funds had deficit fund balances as of June 30, 2013:

	<u>Deficit Fund Balances</u>
<b>Special Revenue Funds:</b>	
Miscellaneous Federal Grants	\$119,171
Title I	24,642
Title VI-B	18,788
Title II-A	4,072
Early Childhood Special Education, IDEA	809
	<u>\$167,482</u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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

**NOTE 6 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

Net Change in Fund Balance

GAAP Basis	\$700,633
Revenue Accruals	(93,626)
Expenditure Accruals	(33,165)
Unreported Items at Beginning of Fiscal Year	49,476
Prepaid Items:	
Beginning of Fiscal Year	16,218
End of Fiscal Year	(17,965)
Advances	136,810
Encumbrances	(86,141)
Budget Basis	<u><u>\$672,240</u></u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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**NOTE 7 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,318,937 of the School District's bank balance of \$5,323,165 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments** As of June 30, 2013, the School District had no investments.

### **NOTE 8 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's 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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Athens and Morgan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

Accrued property taxes receivable includes real property and public utility taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013, was \$221,967 in the General Fund, \$5,430 in the Bond Retirement Debt Service Fund, \$38,788 in the Permanent Improvement Capital Projects Fund, and \$3,504 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2012, was \$223,444 in the General Fund, \$5,673 in the Bond Retirement Debt Service Fund, \$38,947 in the Permanent Improvement Capital Projects Fund, and \$3,584 in the Classroom Facilities Special Revenue 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 reported as deferred inflows of resources – unavailable revenue.

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

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$108,834,220	78.76%	\$109,241,740	79.13%
Commerical/Industrial and Public Utility Real	11,625,820	8.41%	11,443,790	8.29%
Public Utility Personal	17,733,380	12.83%	17,365,760	12.58%
	\$138,193,420	100.00%	\$138,051,290	100.00%
 Tax Rate per \$1,000 of assessed valuation		\$29.99		\$29.99

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2013, consisted of property taxes, accounts (billings for user charged services, and student fees), interfund, and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Other than delinquent property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Title I	\$131,308
21st Century Grants	167,900
Special Education, Part B-IDEA	57,668
Rural and Low-Income, Title VI-B	16,000
Title II-A	14,686
Early Childhood Special Education, IDEA	2,193
Fuel Tax Refund	3,266
Ohio Department of Education	15,815
Athens Meigs ESC Preschool Grant	52,502
Medicaid Reimbursements	773
Ohio Bureau of Workers' Compensation	35,689
State Teachers Retirement System	612
School Employees Retirement System	1,752
Total	<u><u>\$500,164</u></u>

**NOTE 10 - SIGNIFICANT COMMITMENTS**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$86,141
Permanent Improvement Capital Projects Fund	61,736
Nonmajor Funds	<u>125,796</u>
Total	<u><u>\$273,673</u></u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

**NOTE 11 - CAPITAL ASSETS**

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

	<u>Balance</u>			<u>Balance</u>
	<u>6/30/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2013</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$44,623	\$0	\$0	\$44,623
Total Capital Assets not being Depreciated	<u>44,623</u>	<u>0</u>	<u>0</u>	<u>44,623</u>
Depreciable Capital Assets:				
Land Improvements	1,012,493	0	0	1,012,493
Buildings and Improvements	12,142,113	20,695	0	12,162,808
Furniture and Equipment	2,152,136	47,019	0	2,199,155
Vehicles	1,748,340	168,084	0	1,916,424
Total Capital Assets being Depreciated	<u>17,055,082</u>	<u>235,798</u>	<u>0</u>	<u>17,290,880</u>
Less Accumulated Depreciation				
Land Improvements	(774,191)	(28,840)	0	(803,031)
Buildings and Improvements	(4,832,115)	(234,740)	0	(5,066,855)
Furniture and Equipment	(1,633,214)	(101,755)	0	(1,734,969)
Vehicles	(1,229,096)	(104,863)	0	(1,333,959)
Total Accumulated Depreciation	<u>(8,468,616)</u>	<u>(470,198) *</u>	<u>0</u>	<u>(8,938,814)</u>
Total Capital Assets being Depreciated, Net	<u>8,586,466</u>	<u>(234,400)</u>	<u>0</u>	<u>8,352,066</u>
Capital Assets, Net	<u>\$8,631,089</u>	<u>(\$234,400)</u>	<u>\$0</u>	<u>\$8,396,689</u>

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

Instruction:	
Regular	\$174,999
Special	26,654
Vocational	12,931
Support Services:	
Pupils	15,087
Instructional Staff	21,670
Administration	28,939
Fiscal	10,452
Operation and Maintenance of Plant	30,597
Pupil Transportation	108,054
Food Service Operations	26,168
Extracurricular Activities	14,647
Total Depreciation Expense	<u>\$470,198</u>

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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**NOTE 12 - 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. The School District participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 19). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$47,843,565
Crime (\$1,000 deductible):	
Employee Theft	25,000
Forgery or Alteration	25,000
Inside Premises	10,000
Outside Premises	10,000
Liability:	
Bodily Injury and Property Damage	2,000,000
Personal and Advertising Injury	2,000,000
General Aggregate Limit	4,000,000
Completed Operations Aggregate Limit	2,000,000
Employers' - Stop Gap - Bodily Injury	2,000,000
Educational Legal - Errors and Omissions (\$2,500 deductible):	
Injury Limit	2,000,000
Aggregate Limit	4,000,000
Automobile Liability:	
Liability	2,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000
Deductibles:	
Comprehensive	250
Collision	250

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

In fiscal year 2013, the School District participated in the Metropolitan Educational Council (MEC), an insurance purchasing pool (see Note 19). MEC helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurance, services, supplies, and other items.

The School District participates in the workers' compensation program provided by the State of Ohio. Effective January 1, 2011, the School District began participating in the Ohio School Comp Workers' Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (see Note 19). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for participants.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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The participating School Districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can either receive a premium refund or assessment. Employers will pay experience – or based rated premiums under the same terms as if they were not in a retro group. The total premium for the entire group is the standard premium of the group. The standard premium serves as the benchmark that is adjusted up and down retroactively. In order to allocate the savings derived by formation of the Program, the Program’s executive committee annually calculates the group-retrospective premium based on developed incurred claim losses for the whole group. The new premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, a refund will be distributed to the employers of the group. If the retrospective premium is higher, an assessment will be charged to each participant.

Participation in the Program is limited to school districts that can meet the Program’s selection criteria. The firm of CompManagement, Inc. serves as the third party administrator of the Program and provides administrative, cost control, and actuarial services. Each year, the School District pays an enrollment fee to the Program to cover the cost of administering the Program.

The School District may withdraw from the Program if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers’ Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Program prior to withdrawal.

For fiscal year 2013, the School District was a member of the Athens County School Employee Health and Welfare Benefit Association (the Consortium), an insurance purchasing pool (see Note 19), through which a cooperative Health Benefit Program was created for the benefit of its members. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating School Districts. These funds are pooled together for the purposes of paying health and dental benefit claims of employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

### **NOTE 13 - DEFINED BENEFIT PENSION PLANS**

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

Plan Description – The School District participates in the School Employees Retirement System (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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers.

## Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$167,484, \$212,467, and \$161,694, respectively. For fiscal year 2013, 54.99 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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

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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$483,609 and \$765 for the fiscal year ended June 30, 2013, \$649,588 and \$374 for the fiscal year ended June 30, 2012, and \$574,946 and \$722 for the fiscal year ended June 30, 2011. For fiscal year 2013, 80.37 percent has been contributed for the DB plan and 80.37 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$19,046 made by the School District and \$13,604 made by the plan members. In addition, member contributions of \$546 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

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

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, there are no employees who have elected Social Security. The contribution rate is 6.2 percent of wages.

### **NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated 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 as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$23,868, \$23,176, and \$53,728, respectively; 100 percent has been contributed for all three fiscal years.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$9,190, \$11,966, and \$11,055, respectively. For fiscal year 2013, 53.67 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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

**Plan Description** – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$38,725, \$51,721, and \$46,179, respectively. For fiscal year 2013, 80.37 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

### **NOTE 15 - EMPLOYEE BENEFITS**

#### **A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to an unlimited number of days for certified employees and a maximum of 350 days for classified employees. Upon retirement, classified employees may choose between two choices of severance. They can receive severance pay equal to \$25 per day of unused accumulated sick leave to a maximum of 350 days or one-fourth of the unused accumulated sick leave to a maximum of 60 days multiplied by the daily rate. Certified employees can choose between a severance payment equal to \$50 per day of unused accumulated sick leave to a maximum of 350 days or one-fourth of accrued, but unused sick leave credit to a maximum of 60 days paid based on the employee's current rate of pay.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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**B. Other Employee Insurance**

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

**NOTE 16 - INTERFUND BALANCES**

**A. Transfers**

The General Fund transferred \$4,854 to the Food Service Special Revenue Fund during fiscal year 2013. The transfer was made to move unrestricted balances to support the food service program so that the School District did not have to raise lunch prices during the fiscal year.

**B. Interfund Balances**

Unpaid interfund cash advances at June 30, 2013, were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$136,810	\$0
Nonmajor Special Revenue Funds:		
Special Education, Part B-IDEA	0	16,346
Title I	0	54,697
Early Childhood Special Education, IDEA		483
Title II-A	0	4,100
Miscellaneous Federal Grants	0	61,184
Total All Funds	<u>\$136,810</u>	<u>\$136,810</u>

The payables to the General Fund are due to cash deficits.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

**NOTE 17 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13	Amounts Due Within One Year
Bonds:					
2008 School Improvement Refunding Bonds - 3.0% - 4.0%	\$440,000	\$0	\$65,000	\$375,000	\$65,000
Original Issue of Capital Appreciation Bonds - 4.05%	20,000	0	0	20,000	0
Accretion on Capital Appreciation Bonds	22,816	9,327	0	32,143	0
Premium on Refunding Bonds	21,461	0	3,344	18,117	0
Total Bonds	<u>504,277</u>	<u>9,327</u>	<u>68,344</u>	<u>445,260</u>	<u>65,000</u>
Compensated Absences	<u>555,512</u>	<u>25,237</u>	<u>73,075</u>	<u>507,674</u>	<u>80,279</u>
Total Long-Term Obligations	<u>\$1,059,789</u>	<u>\$34,564</u>	<u>\$141,419</u>	<u>\$952,934</u>	<u>\$145,279</u>

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

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

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

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

The capital appreciation bonds will mature in fiscal year 2015. The maturity amount of the bonds is \$70,000. For the fiscal year 2013, \$9,327 was accreted for a total bond value of \$52,143.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 201*

Principal and interest requirements to retire the general obligation refunding debt outstanding at June 30, 2013, are as follows:

Fiscal Year Ending	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2014	\$65,000	\$13,081	\$0	\$0
2015	0	12,025	20,000	50,000
2016	70,000	10,713	0	0
2017	80,000	7,900	0	0
2018	80,000	4,800	0	0
2019	80,000	1,600	0	0
	<u>\$375,000</u>	<u>\$50,119</u>	<u>\$20,000</u>	<u>\$50,000</u>

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

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service Special Revenue Fund.

The School District's overall debt margin was \$12,289,927, with an unvoted debt margin of \$138,051 at June 30, 2013.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Tri-Rivers Educational Computer Association (TRECA)**

The School District is a participant in TRECA, which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county, elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During 2013, the School District paid \$15,689 for services with TRECA. Financial information can be obtained from Mike Carder, who serves as Director, 100 Executive Drive, Marion, Ohio 43302.

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2013. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**NOTE 19 - INSURANCE PURCHASING POOL**

**A. Ohio School Plan**

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a thirteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**B. Ohio School Comp Workers' Compensation Group Retrospective Rating Program**

The Ohio School Comp Workers' Compensation Group Retrospective Rating Program (Program) is a shared risk pool among fifty-seven school districts in Ohio. Section 4123.29, Ohio Revised Code, permits the establishment of employer group retrospective rating plans for workers' compensation rating purposes. The Program is governed by the Ohio School Board Association (OSBA) Executive Committee that consists of seven members as follows: the president of OSBA, Immediate Past President of the OSBA, and five representatives elected from the participating school districts.

The Program, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The Program created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or assessment. The Program's third party administrator (TPA), Comp Management, Inc., provides administrative, cost control, and actuarial services to the Program. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group.

The School District began participating in the program effective January 1, 2011. As of June 30, 2013, an additional assessment or premium refund cannot be reasonably estimated.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 201*

**C. Metropolitan Educational Council**

The School District participates in the Metropolitan Educational Council (MEC), an insurance purchasing pool. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The organization is composed of over 210 members which includes school districts, joint vocational schools, educational service centers, and libraries in Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County, and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program.

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

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

**NOTE 20 - SET-ASIDE CALCULATIONS**

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

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	173,028
Offsetting Credits	(477,407)
Qualifying Disbursements	(31,944)
Total	<u>(336,323)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

**Federal Hocking Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 201*

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**NOTE 21 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**B. Litigation**

As of June 30, 2013, the School District is currently not a party to any material legal proceedings.

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

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

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2012/2013	10.555	\$ 14,440	\$ 14,440
Cash Assistance:				
School Breakfast Program	2012/2013	10.553	193,035	193,035
National School Lunch Program	2012/2013	10.555	287,760	287,760
Cash Assistance Subtotal			<u>480,795</u>	<u>480,795</u>
Total Child Nutrition Cluster			<u>495,235</u>	<u>495,235</u>
Total U.S. Department of Agriculture			495,235	495,235
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies				
	2012	84.010	126,337	75,924
	2013		438,808	493,505
Total Title I Grants to Local Educational Agencies			<u>565,145</u>	<u>569,429</u>
Special Education Cluster:				
Special Education - Grants to States				
	2012	84.027	39,122	24,722
	2013		240,131	256,477
Total Special Education - Grants to States			<u>279,253</u>	<u>281,199</u>
Special Education - Preschool Grants				
	2012	84.173	2,021	1,312
	2013		10,939	11,422
Total Special Education - Preschool Grants			<u>12,960</u>	<u>12,734</u>
Total Special Education Cluster			<u>292,213</u>	<u>293,933</u>
Twenty-First Century Community Learning Centers	2012	84.287	79,289	71,824
	2013		234,100	279,284
Total Twenty-First Century Community Learning Centers			<u>313,389</u>	<u>351,108</u>
Education Technology State Grants	2012	84.318	3,907	
Rural Education	2012	84.358	12,377	
	2013		1,397	17,397
Total Rural Education			<u>13,774</u>	<u>17,397</u>
Improving Teacher Quality State Grants	2012	84.367	12,321	14,777
	2013		64,910	69,010
Total Improving Teacher Quality State Grants			<u>77,231</u>	<u>83,787</u>
Education Jobs Fund	2012	84.410	20,061	28,843
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2012	84.395	1,750	1,750
	2013		1,050	1,050
Total ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			<u>2,800</u>	<u>2,800</u>
Total U.S. Department of Education			<u>1,288,520</u>	<u>1,347,297</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 1,783,755</u></b>	<b><u>\$ 1,842,532</u></b>

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

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

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

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 24, 2014



# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

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

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

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

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

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

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

***Opinion on Each Major Federal Program***

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

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

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 24, 2014

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Program (list): <ul style="list-style-type: none"> <li>• Nutrition Cluster, CFDA #'s 10.553 and 10.555</li> <li>• Title I Grants to Local Educational Agencies, CFDA # 84.010</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Federal Noncompliance Citation and Significant Deficiency – Cash Management - 34 C.F.R. Section 80.21(c): The School District did not disburse Title I federal receipts by the end of the period for which the request was made for 25% of the project cash requests.	Yes	N/A



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 16, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

**Dave Yost**  
Auditor of State

Columbus

January 24, 2014

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# Dave Yost • Auditor of State

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT**

**ATHENS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 18, 2014**