



Dave Yost · Auditor of State

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2014.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis - June 30, 2014.....	13
Statement of Activities – Cash Basis For the Fiscal Year Ended June 30, 2014	14
Governmental Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds - June 30, 2014	15
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds - For the Fiscal Year Ended June 30, 2014.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis General Fund – For the Fiscal Year Ended June 30, 2014	17
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds June 30, 2014	18
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Fund - For the Fiscal Year Ended June 30, 2014	19
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2014	21
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2013.....	41
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis - June 30, 2013.....	49
Statement of Activities – Cash Basis For the Fiscal Year Ended June 30, 2013	50

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Governmental Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds – June 30, 2013	51
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds - For the Fiscal Year Ended June 30, 2013.....	52
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis General Fund – For Fiscal Year Ended June 30, 2013	53
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds June 30, 2013	54
Statement of Changes in Fiduciary Net Position – Cash Basis - Fiduciary Fund For the Fiscal Year Ended June 30, 2013	55
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2013	57
Independent Auditors' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	77



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Russia Local School District
Shelby County
100 School Street
Russia, Ohio 45363

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 Russia Local School District, Shelby County, Ohio (the School District), as of and for the years ended June 30, 2014 and 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Russia Local School District, Shelby County, Ohio, as of June 30, 2014 and 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General and Bond Retirement Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the fiscal 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*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 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.



Dave Yost
Auditor of State

Columbus, Ohio

October 7, 2014

This page intentionally left blank.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

This discussion and analysis of the Russia Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2014 are as follows:

- Net position of governmental activities increased 9% or \$253,425 from prior year.
- General receipts accounted for \$4,239,025 in receipts or 84 percent of all receipts. Program specific revenues in the form of charges for services and operating grants and contributions and interest accounted for \$780,596 or 16 percent of total revenues of \$5,019,621.
- Income taxes increased \$15,855 or 4% during 2014.
- Among major funds, the General Fund had \$3,965,126 in receipts and \$3,818,367 in disbursements. The General Fund's balance increased \$146,759 from 2013.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as 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, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**
(Continued)

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013 on a cash basis:

**(Table 1)
Net Position**

	Governmental Activities	
	2013	2014
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$2,886,575</u>	<u>\$3,140,000</u>
Net Position:		
Restricted for:		
Capital Projects	\$181,054	\$164,506
Debt Service	906,508	1,037,997
School Bus Purchases	3,342	
Other Purposes	135,488	127,213
Unrestricted	<u>1,660,183</u>	<u>1,810,284</u>
Total Net Position	<u>\$2,886,575</u>	<u>\$3,140,000</u>

As mentioned previously, net position of governmental activities increased \$253,425 during fiscal year 2014. Unrestricted net position increased \$150,101 as a result of general operating receipts exceeding disbursements. Disbursements relating to the capital facilities project contributed to the decrease in net position restricted for capital improvements.

Table 2 reflects the changes in net position for fiscal year 2014 compared to fiscal year 2013.

**(Table 2)
Changes in Net Position**

	Governmental Activities	Governmental Activities
	2013	2014
Receipts:		
Program Receipts:		
Charges for Services	\$618,151	\$490,394
Operating Grants and Contributions	<u>249,471</u>	<u>290,202</u>
Total Program Receipts	<u>867,622</u>	<u>780,596</u>
General Receipts:		
Property Taxes	1,401,415	1,405,600
Income Taxes	367,371	383,226
Grants and Entitlements Not Restricted to Specific Programs	2,304,697	2,403,414
All Other Categories	<u>60,410</u>	<u>46,785</u>
Total General Receipts	<u>4,133,893</u>	<u>4,239,025</u>
Total Receipts	<u>5,001,515</u>	<u>5,019,621</u>

(Continued)

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**
(Continued)

**(Table 2)
Changes in Net Position
(Continued)**

	Governmental Activities	Governmental Activities
	2013	2014
Disbursements:		
Instruction	2,545,557	2,691,836
Support Services:		
Pupils and Instructional Staff	152,410	132,010
Board of Education, Administration, Fiscal and Business	528,722	504,589
Operation and Maintenance of Plant	356,400	332,084
Pupil Transportation	161,946	243,636
Central	123,130	103,092
Operation of Non-Instructional Services	149,353	147,081
Extracurricular Activities	175,935	180,139
Capital Outlay	290,805	16,556
Debt Service	412,698	415,173
Total Disbursements	<u>4,896,956</u>	<u>4,766,196</u>
Increase (Decrease) in Net Position	104,559	253,425
Net Position, Beginning of Year	<u>2,782,016</u>	<u>2,886,575</u>
Net Position, End of Year	<u>\$2,886,575</u>	<u>\$3,140,000</u>

Income taxes increased \$15,855 or 4% during 2014.

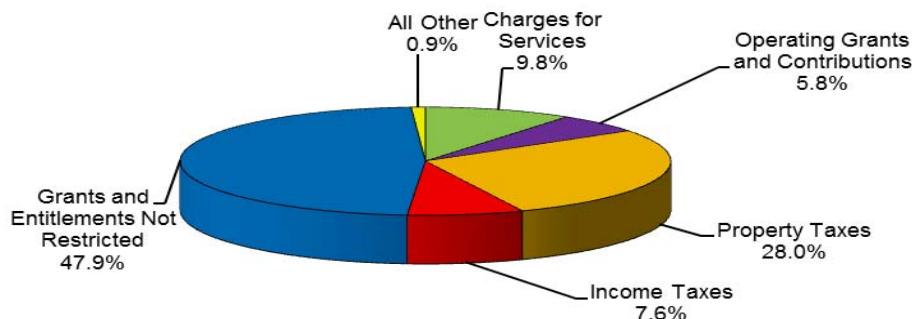
Charges for services decreased for fiscal year 2014 as a result of some refunds from prior years' being received in 2013.

Expenditures for fiscal year 2014 fell about 3%. Capital outlay disbursements are a result of the capital facilities elementary renovation. The majority of the project was completed by the end of the 2012 fiscal year and only minimal expenditures were made in fiscal year 2014.

Governmental Activities

Grants and entitlements not restricted consists largely of state foundation monies. For 2014, grants and entitlements accounted for 47.9% of the School District's receipts, up from 46.1% for 2013. The percentage for property taxes remained the same as prior year and income taxes increased .3% from prior year.

Governmental Receipts

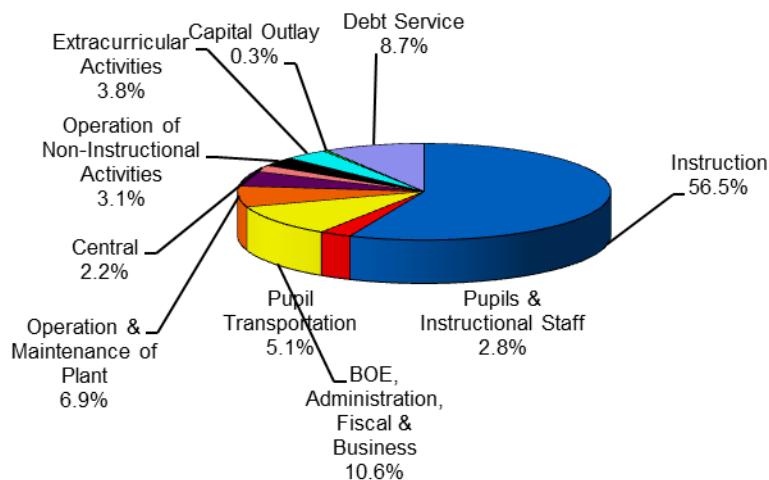


**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

For fiscal year 2014, instruction made up 56.5% of disbursements up from 52% of disbursements for 2013.

Governmental Disbursements



If you look at the statement of activities on page 14, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	\$2,545,557	(\$2,015,184)	\$2,691,836	(\$2,165,153)
Support Services:				
Pupils and Instructional Staff	152,410	(134,106)	132,010	(126,814)
Board of Education, Administration, Fiscal and Business	528,722	(528,722)	504,589	(504,589)
Operation and Maintenance of Plant	356,400	(354,251)	332,084	(328,754)
Pupil Transportation	161,946	(142,140)	243,636	(227,465)
Central	123,130	(93,342)	103,092	(71,179)
Operation of Non-Instructional Services	149,353	(521)	147,081	(2,864)
Extracurricular Activities	175,935	(124,383)	180,139	(127,053)
Capital Outlay	290,805	(223,987)	16,556	(16,556)
Debt Service	412,698	(412,698)	415,173	(415,173)
Total Disbursements	\$4,896,956	(\$4,029,334)	\$4,766,196	(\$3,985,600)

The dependence upon state foundation and property and income tax receipts is apparent as the various programs require significant support from general receipts.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

The School District's Funds

Total governmental funds had receipts of \$5,019,196 and disbursements of \$4,766,196.

The fund balance of the General Fund increased \$146,759. The School District experienced increases in intergovernmental revenue for fiscal year 2014 which allowed receipts to exceed disbursements.

The fund balance of the Bond Retirement Fund increased \$131,489 as a result of receipts generated from property taxes exceeding debt payments.

General Fund Budgeting Highlights

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

For the General Fund, the final budget basis revenue estimate was \$3,722,758 which was \$2,808 higher than the original budgeted estimate. The final total appropriations of \$5,054,977 were only \$1,487 lower than original appropriations. The School District closely monitored spending enabling the School District to spend \$1,209,041 less than the amount appropriated.

Capital Assets and Debt Administration

Capital Assets

The School District does not currently report its capital assets and infrastructure.

Debt

In fiscal year 2008, \$3,544,998 in school improvement refunding bonds were issued to advance refund a portion of the building addition bonds, \$3,086,454 were outstanding at June 30, 2014. These bonds are made up of serial, term and capital appreciation bonds. The capital appreciation bonds were accreted \$23,650 in fiscal year 2014.

In fiscal year 2010, \$1,940,700 in school improvement bonds were issued to pay for the local share of construction under the State of Ohio Classroom Facilities Assistance Program. These bonds are made up of term and capital appreciation bonds. \$1,764,136 of these bonds remain outstanding at June 30, 2014.

**Table 4
Outstanding Debt at June 30,**

	Amount Outstanding 2013	Amount Outstanding 2014
School Improvement Refunding Bonds	\$3,232,804	\$3,086,454
School Improvement Bonds	1,796,084	1,764,136
Total Debt	\$5,028,888	\$4,850,590

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

For more information on the School District's debt, see Note 10 of the Basic Financial Statements.

Current Issues

The School District received approval from the Ohio School Facilities Commission (OSFC) of the 2nd phase of the complete renovation and construction project that began with the 1st phase in 2003. The OSFC assessed and evaluated the School District's current facility. The recommendations from the OSFC included many needed repairs, renovations and some additional space. As a result of this recommendation, the School District asked the voters to approve a bond levy. On August 4, 2009, the voters of Russia Local School District approved a bond levy for 3.58 mills. The levy is for 28 years and will generate \$1,940,740. The levy proceeds were used to pay for the bonds for the local portion of the Ohio School Facilities Commission (OSFC) project. The project consisted of the elementary renovation with approximately 5,000 square feet of new building. The State share of the project was \$4,988,156. The bonds issued were rated AA- by Standard and Poor's.

On May 6, 2014, the voters of Russia Local School District also approved a renewal operating levy for 8 mills. The levy is for five years.

In conclusion, the Russia Local School District continues to be committed to financial as well as educational excellence. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jean Borchers, Treasurer at Russia Local School District, 100 School Street, Russia, OH 45363.

This page intentionally left blank.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET POSITION -CASH BASIS
JUNE 30, 2014**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,140,000</u>
Net Position:	
Restricted for:	
Capital Projects	\$164,506
Debt Service	1,037,997
Other Purposes	127,213
Unrestricted	1,810,284
Total Net Position	<u>\$3,140,000</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$2,205,860	\$300,505	\$114,554	(\$1,790,801)
Special	483,310	1,664	109,960	(371,686)
Student Intervention Services	2,666			(2,666)
Support Services:				
Pupil	76,761	4,451	745	(71,565)
Instructional Staff	55,249			(55,249)
Board of Education	6,822			(6,822)
Administration	340,679			(340,679)
Fiscal	156,613			(156,613)
Business	475			(475)
Operation and Maintenance of Plant	332,084	3,330		(328,754)
Pupil Transportation	243,636	16,171		(227,465)
Central	103,092	2,481	29,432	(71,179)
Operation of Non-Instructional Services	147,081	114,958	29,259	(2,864)
Extracurricular Activities	180,139	46,834	6,252	(127,053)
Capital Outlay	16,556			(16,556)
Principal Retirement	220,000			(220,000)
Interest and Fiscal Charges	195,173			(195,173)
Total Governmental Activities	\$4,766,196	\$490,394	\$290,202	(3,985,600)
General Receipts				
Property Taxes Levied for:				
General Purposes				924,082
Debt Service				463,372
Other Purposes				18,146
Income Taxes Levied for General Purposes				383,226
Grants and Entitlements not Restricted to Specific Programs				2,403,414
Gifts and Donations not Restricted to Specific Programs				4,144
Interest				217
Miscellaneous				42,424
Total General Cash Receipts				4,239,025
Change in Net Position				253,425
Net Position Beginning of Year				2,886,575
Net Position End of Year				\$3,140,000

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,810,284	\$1,037,997	\$291,719	\$3,140,000
Total Assets	<u>1,810,284</u>	<u>1,037,997</u>	<u>291,719</u>	<u>3,140,000</u>
Fund Balances:				
Restricted		1,037,997	291,719	1,329,716
Assigned	1,012,968			1,012,968
Unassigned	797,316			797,316
Total Fund Balances	<u>\$1,810,284</u>	<u>\$1,037,997</u>	<u>\$291,719</u>	<u>\$3,140,000</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property Taxes	\$924,082	\$463,374	\$18,145	\$1,405,601
Income Taxes	383,226			383,226
Intergovernmental	2,294,448	94,398	296,733	2,685,579
Interest	208		9	217
Tuition and Fees	301,420			301,420
Rent			1,375	1,375
Extracurricular Activities	10,909		41,544	52,453
Contributions and Donations	5,929		6,252	12,181
Charges for Services			118,288	118,288
Miscellaneous	44,479		14,377	58,856
Total Receipts	3,964,701	557,772	496,723	5,019,196
Disbursements:				
Current:				
Instruction:				
Regular	2,091,306		114,554	2,205,860
Special	373,350		109,960	483,310
Student Intervention Services	2,666			2,666
Support Services:				
Pupil	76,761			76,761
Instructional Staff	55,249			55,249
Board of Education	6,822			6,822
Administration	340,679			340,679
Fiscal	145,069	11,110	434	156,613
Business	475			475
Operation and Maintenance of Plant	290,388		41,696	332,084
Pupil Transportation	227,465		16,171	243,636
Central	73,660		29,432	103,092
Operation of Non-Instructional Services	2,385		144,696	147,081
Extracurricular Activities	132,092		48,047	180,139
Capital Outlay			16,556	16,556
Debt Service:				
Principal Retirement		220,000		220,000
Interest and Fiscal Charges		195,173		195,173
Total Disbursements	3,818,367	426,283	521,546	4,766,196
Excess of Receipts Over (Under) Disbursements	146,334	131,489	(24,823)	253,000
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	425			425
Total Other Financing Sources (Uses)	425			425
Net Change in Fund Balances	146,759	131,489	(24,823)	253,425
Fund Balances Beginning of Year	1,663,525	906,508	316,542	2,886,575
Fund Balances End of Year	\$1,810,284	\$1,037,997	\$291,719	\$3,140,000

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Property Taxes	\$906,000	\$906,000	\$924,082	\$18,082
Income Taxes	320,000	320,000	383,226	63,226
Intergovernmental	2,118,000	2,118,000	2,294,448	176,448
Interest	150	150	208	58
Tuition and Fees	326,000	326,000	301,420	(24,580)
Extracurricular Activities	3,200	3,200	6,458	3,258
Contributions and Donations	2,200	2,200	4,144	1,944
Miscellaneous	32,900	35,708	25,830	(9,878)
Total Receipts	<u>3,708,450</u>	<u>3,711,258</u>	<u>3,939,816</u>	<u>228,558</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,282,372	2,283,859	2,091,087	192,772
Special	370,500	375,500	373,350	2,150
Student Intervention Services	8,600	8,600	2,666	5,934
Support Services:				
Pupils	85,995	85,995	71,916	14,079
Instructional Staff	65,125	65,125	55,249	9,876
Board of Education	8,850	8,850	6,822	2,028
Administration	397,285	397,285	340,679	56,606
Fiscal	159,582	159,582	146,168	13,414
Business	1,000	1,000	475	525
Operation and Maintenance of Plant	386,465	386,465	312,552	73,913
Pupil Transportation	191,927	291,927	236,955	54,972
Central	119,589	119,589	74,060	45,529
Operation of Non-Instructional Services	7,500	7,500	1,865	5,635
Extracurricular Activities	168,700	168,700	132,092	36,608
Total Disbursements	<u>4,253,490</u>	<u>4,359,977</u>	<u>3,845,936</u>	<u>514,041</u>
Excess of Receipts Over (Under) Disbursements	<u>(545,040)</u>	<u>(648,719)</u>	<u>93,880</u>	<u>742,599</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	10,000	10,000	18,649	8,649
Proceeds from Sale of Capital Assets	1,500	1,500	425	(1,075)
Other Financing Uses	<u>(800,000)</u>	<u>(695,000)</u>		<u>695,000</u>
Total Other Financing Sources (Uses)	<u>(788,500)</u>	<u>(683,500)</u>	<u>19,074</u>	<u>702,574</u>
Net Change in Fund Balances	(1,333,540)	(1,332,219)	112,954	1,445,173
Fund Balance at Beginning of Year	1,632,261	1,632,261	1,632,261	
Prior Year Encumbrances Appropriated	25,769	25,769	25,769	
Fund Balance at End of Year	<u>\$324,490</u>	<u>\$325,811</u>	<u>\$1,770,984</u>	<u>\$1,445,173</u>

See accompanying notes to the basic financial statements.

RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private</u> <u>Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$9,241</u>	<u>\$25,053</u>
Net Position:		
Held for Students		\$25,053
Held in Trust for Scholarships:		
Expendable	6,241	
Non-expendable	3,000	
Total Net Position	<u><u>\$9,241</u></u>	<u><u>\$25,053</u></u>

See accompanying notes to the basic financial statements.

RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$33,070
Miscellaneous	320
Total Additions	<u>33,390</u>
Deductions:	
Scholarships	<u>31,255</u>
Change in Net Position	2,135
Net Position - Beginning of Year	<u>7,106</u>
Net Position - End of Year	<u>\$9,241</u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. REPORTING ENTITY

Russia 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 and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District's instructional/support facilities is staffed by 22 non-certificated employees, 34 certificated teaching personnel and 2 administrative employees to provide services to 466 students. It currently operates one instructional building.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Russia Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

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; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Western Ohio Computer Organization (WOCO)
Southwestern Ohio Educational Purchasing Council (SOEPC)
Southwestern Ohio Instructional Technology Association (SOITA)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
(Continued)

1. REPORTING ENTITY (Continued)

Shelby County Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and
Liability Insurance Program

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial 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.

1. 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 fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental activities (primarily those supported through taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District does not have any business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

The other governmental funds of the School District account for (a) financial resources are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

2. Fiduciary Funds

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 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 after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the two digit function level for the General Fund and the Bond Retirement Debt Service Fund and at the fund level for all other funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts 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 fiscal 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.

E. Cash and Investments

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2014, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 was \$208, which included \$114 assigned from other School District funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Net position

The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. The School District did not have any net position restricted by enabling legislation at June 30, 2014.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The ‘not in spendable form’ 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 classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned 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 Board of Education.

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

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

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is

1. Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
2. Perspective differences resulting from differences in fund structure.

Cash Basis	\$146,759
Encumbrances	(33,934)
Perspective Differences	129
Budgetary Basis	<u><u>\$112,954</u></u>

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. 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 protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution in 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 105 percent of deposits being secured.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year-end, the carrying amount of the School District's deposits was \$3,174,294. Cash balances per the bank were \$3,195,415. \$250,000 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2014, \$2,945,415 of the School District's bank balance of \$3,195,415 was exposed to custodial risk and was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the School District's name.

B. Investments

The School District did not have any investments at June 30, 2014.

5. PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$41,171,060	95.49%	\$41,150,970	95.48%
Public Utility Personal	1,946,180	4.51	1,946,180	4.52
Total	\$43,117,240	100.00%	\$43,097,150	100.00%
Tax Rate per \$1,000 of Assessed Valuation	46.55		46.55	

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
(Continued)

6. INCOME TAXES

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RISK MANAGEMENT

A. Property and Liability

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 contracted with Arthur Gallagher Risk Management Services, Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building and Contents (\$2,500 deductible)	\$27,819,974
Boiler and Machinery (\$3,500 deductible)	100,000,000
Flood & Earthquake per occurrence/aggregate	1,000,000
EDP Equipment	10,000,000
Automobile Liability (per occurrence)	1,000,000
Money and Securities (per occurrence)	500,000
Employee Benefits Liability	
Per occurrence	1,000,000
School Board Legal Liability (\$5,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate per member	3,000,000
Excess Liability – (occurrence/aggregate per district)	5,000,000

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

B. Workers' Compensation

For fiscal year 2014, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
(Continued)

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at 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, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$79,932, \$64,288, and \$55,689, respectively; 82.18 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
(Continued)

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$236,313, \$235,560, and \$243,927, respectively; 83.20 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2014, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

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

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$4,637, \$3,632, and \$3,289, respectively; 82.18 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105l. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$8,357, \$9,735, and \$9,915, respectively; 82.18 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
(Continued)

9. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$18,178, \$18,120, and \$18,764, respectively; 83.20 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

10. DEBT

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/2013		Amount Outstanding 6/30/2014		Amount Due in One Year
	Additions	Deletions			
Governmental Activities:					
School Improvement Refunding Bonds:					
Serial Bonds 4.0%	\$1,340,000	(\$170,000)	\$1,170,000	\$175,000	
Term Bonds 4.0%, 4.2%	1,785,000		1,785,000		
Capital Appreciation Bonds 4.25%, 4.33%	107,804	\$23,650	131,454		
Total School Improvement Refunding Bonds	<u>3,232,804</u>	<u>23,650</u>	<u>(170,000)</u>	<u>3,086,454</u>	<u>175,000</u>
School Improvement Bonds:					
Term Bonds 1-4.6%	1,760,000	(50,000)	1,710,000	50,000	
Capital Appreciation Bonds 2.85%, 3.15%	36,084	18,052	54,136		
Total School Improvement Bonds	<u>1,796,084</u>	<u>18,052</u>	<u>(50,000)</u>	<u>1,764,136</u>	<u>50,000</u>
Total Debt	<u><u>\$5,028,888</u></u>	<u><u>\$41,702</u></u>	<u><u>(\$220,000)</u></u>	<u><u>\$4,850,590</u></u>	<u><u>\$225,000</u></u>

On October 4, 2007, Russia Local School District issued a total of \$3,544,998 in school improvement refunding general obligation bonds. Of the \$3,544,998 in refunding bonds, \$1,725,000 is serial bonds with a 4% interest rate with a final maturity on December 1, 2021. \$1,785,000 is term bonds (\$700,000 with a 4% interest rate maturing December 1, 2024 and \$1,085,000 with a 4.2% interest rate maturing December 1, 2028). \$34,998 is capital appreciation bonds (maturity amount of \$215,000 on December 1, 2019 and 2020). The capital appreciation bonds were accreted \$23,650 in fiscal year 2014.

On March 9, 2010, the School District issued a total of \$1,940,700 in School Improvement Bonds to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond proceeds were used to retire the bond anticipation notes which matured May 4, 2010. Of the \$1,940,700 in improvement bonds, \$1,930,000 is term bonds with interest rates ranging from 1% to 4.6% with the final maturity on December 1, 2037. The remaining \$10,700 is capital appreciation bonds (maturity amount of \$55,000 on December 1, 2015 and 2016). The term bonds are subject to mandatory sinking fund redemption. The capital appreciation bonds were accreted \$18,052 in fiscal year 2014.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
(Continued)

10. DEBT (Continued)

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$225,000	\$187,347	\$412,347
2016	186,346	228,439	414,785
2017	194,354	223,032	417,386
2018	255,000	163,733	418,733
2019	265,000	153,828	418,828
2020-2024	1,009,998	1,072,264	2,082,262
2025-2029	1,690,000	363,348	2,053,348
2030-2034	455,000	171,378	626,378
2035-2038	430,000	40,710	470,710
Subtotal	4,710,698	2,604,079	7,314,777
Accretion on Bonds	139,892	(139,892)	0
Total	\$4,850,590	\$2,464,187	\$7,314,777

11. FUND BALANCE

Fund balance is classified as non-spendable, 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:

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Food Service Operations			\$35,237	\$35,237
Classroom Maintenance			89,330	89,330
Athletics			2,646	2,646
Capital Improvements			164,506	164,506
Debt Service	\$1,037,997		-	1,037,997
Total Restricted	1,037,997		291,719	1,329,716
Assigned for:				
Unpaid Obligations	\$33,934			33,934
FY 15 Appropriations	974,450			974,450
Public School Support	4,584			4,584
Total Assigned	1,012,968			1,012,968
Unassigned	797,316			797,316
Total Fund Balance	\$1,810,284	\$1,037,997	\$291,719	\$3,140,000

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
(Continued)

12. SET-ASIDE REQUIREMENTS

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

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

	<u>Capital Acquisitions</u>
Set-aside Reserve Balance as of June 30, 2013	
Current Year Set-aside Requirement	\$80,199
Prior Year Offset from Bond Proceeds	(47,485)
Current Year Offset – Classroom facilities maintenance levy	<u>(32,714)</u>
Total Set-aside Reserve Balance at June 30, 2014	<u>\$0</u>
Excess Available to Carry-Over to Subsequent Year	<u>\$0</u>

The District had current year offsets that reduced the capital improvements set-aside. During prior fiscal years, the District issued \$4,500,500 and \$1,940,700 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,703,973 at June 30, 2014.

13. DONOR-RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor-restricted endowments. Net position non-expendable of \$3,000 represents the principal portion of the endowment. The amount of net appreciation in the donor-restricted investments that is available for expenditures for the governing body is \$6,241 and is included as net position held in trust for scholarships. State law permits the governing body to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Western Ohio Computer Organization – The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
(Continued)

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$41,957 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council –The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 128 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2014, the School District paid \$2,781 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2014, the School District did not make any contributions to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**
(Continued)

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium – The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2014, Russia Local School District contributed \$399,238 from the General Fund. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2014, the School District paid \$22,201 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

15. CONTINGENT LIABILITIES

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. CONTINGENT LIABILITIES (Continued)

B. Litigation

There are currently no matters in litigation with the School District as defendant.

16. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2014, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 70, "*Accounting and Financial Reporting for Non-exchange Financial Guarantees.*" GASB Statement No. 70 provides guidance for reporting financial guarantees that are non-exchange transactions extended or received by a state or local government. The implementation of this statement had no effect on the School District.

This page intentionally left blank.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

This discussion and analysis of the Russia Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2013 are as follows:

- Net position of governmental activities increased 4% or \$104,559 from prior year.
- General revenues accounted for \$4,133,893 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions and interest accounted for \$867,622 or 17 percent of total revenues of \$5,001,515.
- The Education Jobs grant was not received in fiscal year 2013, which contributed to a decrease in operating grants and contributions.
- Income tax revenue for 2013 increased \$47,219 resulting from a stronger economy.
- Among major funds, the General Fund had \$3,993,989 in receipts and \$3,721,437 in disbursements. The General Fund's balance increased \$272,552 from 2012.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as 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, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

Governmental Funds – Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012 on a cash basis:

**(Table 1)
Net Position**

	Governmental Activities	
	2012	2013
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$2,782,016</u>	<u>\$2,886,575</u>
Net Position:		
Restricted for:		
Capital Projects	\$483,301	\$181,054
Debt Service	770,768	906,508
School Bus Purchases	3,342	3,342
Other Purposes	136,974	135,488
Unrestricted	1,387,631	1,660,183
Total Net Position	<u>\$2,782,016</u>	<u>\$2,886,575</u>

As mentioned previously, net position of governmental activities increased \$104,559 during fiscal year 2013. Unrestricted net position increased \$272,552 as a result of general operating receipts exceeding disbursements. Disbursements relating to the capital facilities project contributed to the decrease in net position restricted for capital improvements.

Table 2 reflects the changes in net position for fiscal year 2013 compared to fiscal year 2012.

**(Table 2)
Changes in Net Position**

	Governmental Activities 2012	Governmental Activities 2013
Receipts:		
Program Receipts:		
Charges for Services	\$539,826	\$618,151
Operating Grants and Contributions	457,698	249,471
Capital Grants and Contributions	91,168	
Total Program Receipts	<u>1,088,692</u>	<u>867,622</u>
General Receipts:		
Property Taxes	1,391,580	1,401,415
Income Taxes	320,152	367,371
Grants and Entitlements Not Restricted to Specific Programs	2,341,634	2,304,697
All Other Categories	41,812	60,410
Total General Receipts	<u>4,095,178</u>	<u>4,133,893</u>
Total Receipts	<u>5,183,870</u>	<u>5,001,515</u>

(Continued)

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

**(Table 2)
Changes in Net Position
(Continued)**

	Governmental Activities 2012	Governmental Activities 2013
Disbursements:		
Instruction	2,595,485	2,545,557
Support Services:		
Pupils and Instructional Staff	158,350	152,410
Board of Education, Administration, Fiscal and Business	507,330	528,722
Operation and Maintenance of Plant	365,954	356,400
Pupil Transportation	187,150	161,946
Central	125,129	123,130
Operation of Non-Instructional Services	159,223	149,353
Extracurricular Activities	201,408	175,935
Capital Outlay	2,378,572	290,805
Debt Service	414,710	412,698
Total Disbursements	<u>7,093,311</u>	<u>4,896,956</u>
Increase (Decrease) in Net Position	(1,909,441)	104,559
Net Position, Beginning of Year	<u>4,691,457</u>	<u>2,782,016</u>
Net Position, End of Year	<u>\$2,782,016</u>	<u>\$2,886,575</u>

Property taxes increased as a result of a full year of collections under a new tax rate, an increase from \$46.03 mills to \$46.55 mills. Also, income taxes increased \$47,219 during 2013 as a result of a stronger economy. Operating grants and contributions decreased due to the Education Jobs grant not being received during fiscal year 2013.

Grant monies received from the Ohio School Facilities Commission were shown with capital grants and contributions for 2012. For 2013, the School District only received \$4,258 and it is shown with other revenue in the above table.

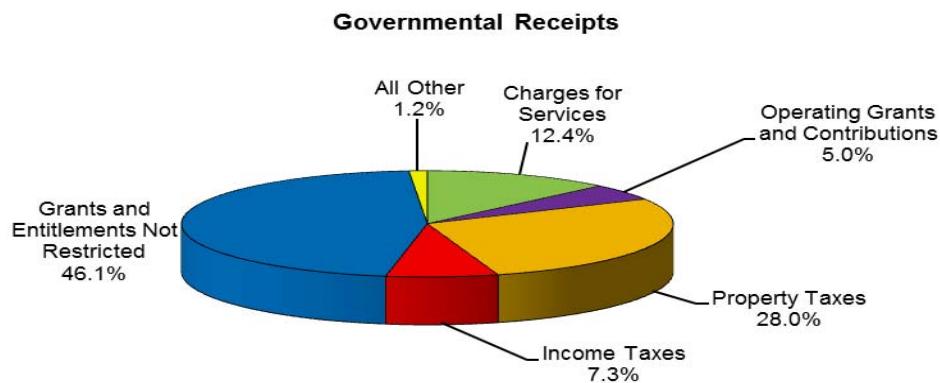
Capital outlay disbursements are a result of the capital facilities elementary renovation. The majority of the project was completed by the end of the 2012 fiscal year.

Governmental Activities

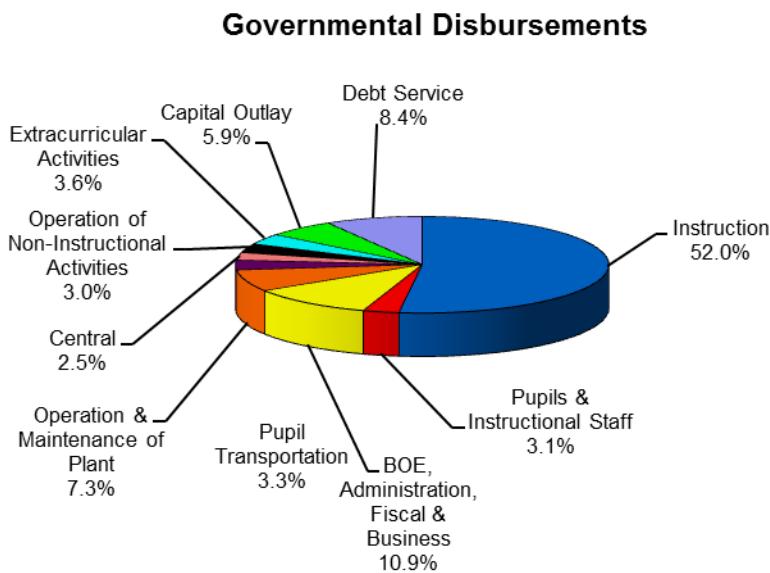
Grants and entitlements not restricted consists largely of state foundation monies. For 2013, grants and entitlements accounted for 46.1% of the School District's receipts, up from 45.2% for 2012. The percentage for property taxes increased 1.2% from prior year and income taxes increased 1.1% from prior year.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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



For fiscal year 2013, instruction made up 52% of disbursements. For 2012, instruction made up 36.6% of disbursements. Capital outlay accounted for 5.9% of disbursements for fiscal year 2013 and 33.5% for fiscal year 2012.



If you look at the statement of activities on page 52, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

**(Table 3)
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2012	2013	2013
Instruction	\$2,595,485	(\$1,918,670)	\$2,545,557	(\$2,015,184)
Support Services:				
Pupils and Instructional Staff	158,350	(120,001)	152,410	(134,106)
Board of Education, Administration, Fiscal and Business	507,330	(507,330)	528,722	(528,722)
Operation and Maintenance of Plant	365,954	(365,854)	356,400	(354,251)
Pupil Transportation	187,150	(172,319)	161,946	(142,140)
Central	125,129	(96,373)	123,130	(93,342)
Operation of Non-Instructional Services	159,223	(1,010)	149,353	(521)
Extracurricular Activities	201,408	(120,948)	175,935	(124,383)
Capital Outlay	2,378,572	(2,287,404)	290,805	(223,987)
Debt Service	414,710	(414,710)	412,698	(412,698)
Total Disbursements	<u>\$7,093,311</u>	<u>(\$6,004,619)</u>	<u>\$4,896,956</u>	<u>(\$4,029,334)</u>

The dependence upon state foundation and property and income tax receipts is apparent as the various programs require significant support from general receipts.

The School District's Funds

Total governmental funds had receipts of \$4,899,596 and disbursements of \$4,896,956.

The fund balance of the General Fund increased \$272,552. The School District experienced increases in property taxes (due to the new levies) and income taxes which allowed receipts to exceed disbursements.

The fund balance of the Bond Retirement Fund increased \$135,740 as a result of receipts generated from property taxes exceeding debt payments.

General Fund Budgeting Highlights

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

For the General Fund, the final budget basis revenue estimate was \$3,762,446 which was the same as the original budgeted estimate. The final total appropriations of \$4,907,584 were not the same as original appropriations. The School District closely monitored spending enabling the School District to spend \$1,165,033 less than the amount appropriated.

Capital Assets and Debt Administration

Capital Assets

The School District does not currently report its capital assets and infrastructure.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

Debt

In fiscal year 2008, \$3,544,998 in school improvement refunding bonds were issued to advance refund a portion of the building addition bonds, \$3,232,804 were outstanding at June 30, 2013. These bonds are made up of serial, term and capital appreciation bonds. The capital appreciation bonds were accreted \$19,395 in fiscal year 2013.

In fiscal year 2010, \$1,940,700 in school improvement bonds were issued to pay for the local share of construction under the State of Ohio Classroom Facilities Assistance Program. These bonds are made up of term and capital appreciation bonds. \$1,796,084 of these bonds remain outstanding at June 30, 2013.

**Table 4
Outstanding Debt at June 30,**

	Amount Outstanding 2012	Amount Outstanding 2013
School Improvement Refunding Bonds	\$3,373,409	\$3,232,804
School Improvement Bonds	1,834,057	1,796,084
Total Debt	<u>\$5,207,466</u>	<u>\$5,028,888</u>

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

For more information on the School District's debt, see Note 10 of the Basic Financial Statements.

Current Issues

The School District received approval from the Ohio School Facilities Commission (OSFC) of the 2nd phase of the complete renovation and construction project that began with the 1st phase in 2003. The OSFC assessed and evaluated the School District's current facility. The recommendations from the OSFC included many needed repairs, renovations and some additional space. As a result of this recommendation, the School District asked the voters to approve a bond levy. On August 4, 2009, the voters of Russia Local School District approved a bond levy for 3.58 mills. The levy is for 28 years and will generate \$1,940,740. The levy proceeds were used to pay for the bonds for the local portion of the Ohio School Facilities Commission (OSFC) project. The project consisted of the elementary renovation with approximately 5,000 square feet of new building. The State share of the project was \$4,988,156. The bonds issued were rated AA- by Standard and Poor's.

On November 3, 2009, the voters of Russia Local School District also approved a replacement operating levy for 8 mills. The levy is for five years.

In conclusion, the Russia Local School District continues to be committed to financial as well as educational excellence. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jean Borchers, Treasurer at Russia Local School District, 100 School Street, Russia, OH 45363.

RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF NET POSITION-CASH BASIS
JUNE 30, 2013

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,886,575</u>
Net Position:	
Restricted for:	
Capital Projects	\$181,054
Debt Service	906,508
School Bus Purchases	3,342
Other Purposes	135,488
Unrestricted	<u>1,660,183</u>
Total Net Position	<u>\$2,886,575</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$2,121,229	\$357,282	\$84,684	(\$1,679,263)
Special	417,868	1,748	86,659	(329,461)
Student Intervention Services	6,460			(6,460)
Support Services:				
Pupil	79,360			(79,360)
Instructional Staff	73,050		18,304	(54,746)
Board of Education	6,492			(6,492)
Administration	350,356			(350,356)
Fiscal	171,401			(171,401)
Business	473			(473)
Operation and Maintenance of Plant	356,400	2,149		(354,251)
Pupil Transportation	161,946	19,806		(142,140)
Central	123,130	2,461	27,327	(93,342)
Operation of Non-Instructional Services	149,353	118,085	30,747	(521)
Extracurricular Activities	175,935	49,802	1,750	(124,383)
Capital Outlay	290,805	66,818		(223,987)
Principal Retirement	210,000			(210,000)
Interest and Fiscal Charges	202,698			(202,698)
Total Governmental Activities	<u>\$4,896,956</u>	<u>\$618,151</u>	<u>\$249,471</u>	<u>(4,029,334)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				920,257
Debt Service				462,659
Other Purposes				18,499
Income Taxes Levied for General Purposes				367,371
Grants and Entitlements not Restricted to Specific Programs				2,304,697
Grants and Entitlements Restricted to Capital Projects				4,258
Gifts and Donations not Restricted to Specific Programs				8,932
Interest				163
Miscellaneous				47,057
Total General Cash Receipts				<u>4,133,893</u>
Change in Net Position				104,559
Net Position Beginning of Year				<u>2,782,016</u>
Net Position End of Year				<u>\$2,886,575</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,660,183	\$906,508	\$316,542	\$2,883,233
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	3,342			3,342
Total Assets	<u>1,663,525</u>	<u>906,508</u>	<u>316,542</u>	<u>2,886,575</u>
Fund Balances:				
Restricted	3,342	906,508	316,542	1,226,392
Assigned	1,337,771			1,337,771
Unassigned	322,412			322,412
Total Fund Balances	<u>\$1,663,525</u>	<u>\$906,508</u>	<u>\$316,542</u>	<u>\$2,886,575</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property Taxes	\$920,257	\$462,659	\$18,499	\$1,401,415
Income Taxes	367,371			367,371
Intergovernmental	2,210,790	93,343	252,543	2,556,676
Interest	147		16	163
Tuition and Fees	323,437			323,437
Extracurricular Activities	9,170		42,099	51,269
Contributions and Donations	8,932		1,750	10,682
Charges for Services			120,234	120,234
Miscellaneous	55,691		12,658	68,349
Total Receipts	<u>3,895,795</u>	<u>556,002</u>	<u>447,799</u>	<u>4,899,596</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,036,546		84,683	2,121,229
Special	333,017		84,851	417,868
Student Intervention Services	6,460			6,460
Support Services:				
Pupil	79,360			79,360
Instructional Staff	54,746		18,304	73,050
Board of Education	6,492			6,492
Administration	350,356			350,356
Fiscal	159,814	11,142	445	171,401
Business	473			473
Operation and Maintenance of Plant	313,622		42,778	356,400
Pupil Transportation	147,814		14,132	161,946
Central	95,803		27,327	123,130
Operation of Non-Instructional Services	2,452		146,901	149,353
Extracurricular Activities	134,482		41,453	175,935
Capital Outlay			290,805	290,805
Debt Service:				
Principal Retirement		210,000		210,000
Interest and Fiscal Charges		202,698		202,698
Total Disbursements	<u>3,721,437</u>	<u>423,840</u>	<u>751,679</u>	<u>4,896,956</u>
Excess of Receipts Over (Under) Disbursements	<u>174,358</u>	<u>132,162</u>	<u>(303,880)</u>	<u>2,640</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	92,301	3,578	147	96,026
Proceeds from Sale of Capital Assets	5,893			5,893
Total Other Financing Sources (Uses)	<u>98,194</u>	<u>3,578</u>	<u>147</u>	<u>101,919</u>
Net Change in Fund Balances	272,552	135,740	(303,733)	104,559
Fund Balances Beginning of Year	<u>1,390,973</u>	<u>770,768</u>	<u>620,275</u>	<u>2,782,016</u>
Fund Balances End of Year	<u>\$1,663,525</u>	<u>\$906,508</u>	<u>\$316,542</u>	<u>\$2,886,575</u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$905,000	\$905,000	\$920,257	\$15,257
Income Taxes	305,000	305,000	367,371	62,371
Intergovernmental	2,160,000	2,160,000	2,210,790	50,790
Interest	300	300	147	(153)
Tuition and Fees	333,500	333,500	323,437	(10,063)
Extracurricular Activities	3,550	3,550	2,460	(1,090)
Contributions and Donations	750	750	7,312	6,562
Miscellaneous	52,346	52,346	55,691	3,345
Total Receipts	<u>3,760,446</u>	<u>3,760,446</u>	<u>3,887,465</u>	<u>127,019</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,177,431	2,177,431	2,037,997	139,434
Special	397,574	397,574	333,017	64,557
Student Intervention Services	11,400	11,400	6,460	4,940
Support Services:				
Pupils	100,895	100,895	75,800	25,095
Instructional Staff	90,598	90,598	54,871	35,727
Board of Education	9,850	9,850	6,492	3,358
Administration	388,700	388,700	351,291	37,409
Fiscal	169,100	169,100	160,046	9,054
Business	1,000	1,000	473	527
Operation and Maintenance of Plant	431,470	431,470	330,387	101,083
Pupil Transportation	149,266	169,266	151,741	17,525
Central	109,700	109,700	97,192	12,508
Operation of Non-Instructional Services	12,000	12,000	2,302	9,698
Extracurricular Activities	158,600	158,600	134,482	24,118
Total Disbursements	<u>4,207,584</u>	<u>4,227,584</u>	<u>3,742,551</u>	<u>485,033</u>
Excess of Receipts Over (Under) Disbursements	<u>(447,138)</u>	<u>(467,138)</u>	<u>144,914</u>	<u>612,052</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures			92,301	92,301
Proceeds from Sale of Capital Assets	2,000	2,000	5,894	3,894
Other Financing Uses	<u>(700,000)</u>	<u>(680,000)</u>		<u>680,000</u>
Total Other Financing Sources (Uses)	<u>(698,000)</u>	<u>(678,000)</u>	<u>98,195</u>	<u>776,195</u>
Net Change in Fund Balances	(1,145,138)	(1,145,138)	243,109	1,388,247
Fund Balance at Beginning of Year	1,366,568	1,366,568	1,366,568	
Prior Year Encumbrances Appropriated	22,584	22,584	22,584	
Fund Balance at End of Year	<u>\$244,014</u>	<u>\$244,014</u>	<u>\$1,632,261</u>	<u>\$1,388,247</u>

See accompanying notes to the basic financial statements.

RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$7,106</u>	<u>\$36,494</u>
Net Position:		
Held for Students		\$36,494
Held in Trust for Scholarships:		
Expendable	4,106	
Non-expendable	3,000	
Total Net Position	<u><u>\$7,106</u></u>	<u><u>\$36,494</u></u>

See accompanying notes to the basic financial statements.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust
Additions:	
Gifts and Contributions	\$23,455
Deductions:	
Scholarships	<u>31,070</u>
Change in Net Position	(7,615)
Net Position - Beginning of Year	<u>14,721</u>
Net Position - End of Year	<u><u>\$7,106</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

1. REPORTING ENTITY

Russia 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 and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 20 square miles. It is located in Shelby County, including all of the Village of Russia, Ohio, and portions of Loramie and Cynthian Townships. The School District's instructional/support facilities is staffed by 23 non-certificated employees, 34 certificated teaching personnel and 2 administrative employees to provide services to 475 students. It currently operates one instructional building.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Russia Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization (WOCO)
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Southwestern Ohio Instructional Technology Association (SOITA)

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

1. REPORTING ENTITY (Continued)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
Shelby County Schools Consortium
Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial 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.

1. 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 fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental activities (primarily those supported through taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District does not have any business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided as either governmental or fiduciary.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

The other governmental funds of the School District account for (a) financial resources are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

2. Fiduciary Funds

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 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 after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the two digit function level for the General Fund and the Bond Retirement Debt Service Fund and at the fund level for all other funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts 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 fiscal 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.

E. Cash and Investments

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2013, the School District did not have any investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 was \$147, which included \$61 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of buses.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net position

The net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available. The School District did not have any net position restricted by enabling legislation at June 30, 2013.

M. 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:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' 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 classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned 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 Board of Education.

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

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

O. Estimates

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is:

- 1) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and
- 2) Perspective differences resulting from differences in fund structure.

Cash Basis	\$272,552
Encumbrances	(25,769)
Perspective Differences	(3,674)
Budgetary Basis	<u><u>\$243,109</u></u>

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

Inactive 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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. 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 protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution in 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 105 percent of deposits being secured.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year-end, the carrying amount of the School District's deposits was \$2,930,175. Cash balances per the bank were \$2,978,798. \$250,000 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2013, \$2,728,798 of the School District's bank balance of \$2,978,798 was exposed to custodial risk and was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the School District's name.

B. Investments

The School District did not have any investments at June 30, 2013.

5. PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

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 and Other Real Estate	\$38,526,300	95.71%	\$41,171,060	95.49%
Public Utility Personal	1,728,210	4.29%	1,946,180	4.51%
Total	\$40,254,510	100.00%	\$43,117,240	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$46.55		\$46.55	

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

6. INCOME TAXES

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RISK MANAGEMENT

A. Property and Liability

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 contracted with Arthur Gallagher Risk Management Services, Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building (\$2,500 deductible)	\$18,244,679
Contents (\$2,500 deductible)	3,053,448
Boiler and Machinery (\$3,500 deductible)	100,000,000
Flood & Earthquake per occurrence/aggregate	4,000,000
EDP Equipment	10,000,000
Automobile Liability (per occurrence)	1,000,000
Money and Securities (per occurrence)	500,000
Employee Benefits Liability	
Per occurrence	1,000,000
School Board Legal Liability (\$5,000 deductible)	5,000,000
General Liability	
Per occurrence	1,000,000
Aggregate per member	3,000,000
Excess Liability – (occurrence/aggregate per district)	5,000,000

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

B. Worker's Compensation

For fiscal year 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at 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, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2013, the allocation to pension and death benefits is 13.10 percent. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$64,288, \$55,689, and \$60,377, respectively; 66.76 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$235,560, \$243,927, and \$249,870, respectively; 83.51 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. Social Security System

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

9. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

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

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.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

9. POST-EMPLOYMENT BENEFITS (Continued)

The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,632, \$3,289, and \$3,885, respectively; 66.76 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105I. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$9,735, \$9,915, and \$15,906, respectively; 5.38 percent has been contributed for fiscal year 2013, 100 percent for fiscal years 2012, and 100 percent for fiscal year 2011.

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

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

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

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

9. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$18,120, \$18,764, and \$19,221, respectively; 83.51 percent has been contributed for fiscal year 2013, 100 percent for fiscal years 2012, and 100 percent for fiscal year 2011.

10. DEBT

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

	Amount Outstanding 6/30/2012	Additions	Deletions	Amount Outstanding 6/30/2013	Amount Due in One Year
Governmental Activities:					
School Improvement Refunding Bonds:					
Serial Bonds 4.0%	\$1,500,000		\$(160,000)	\$1,340,000	\$170,000
Term Bonds 4.0%, 4.2%	1,785,000			1,785,000	
Capital Appreciation Bonds 4.25%, 4.33%	88,409	\$19,395		107,804	
Total School Improvement Refunding Bonds	<u>3,373,409</u>	<u>19,395</u>	<u>(160,000)</u>	<u>3,232,804</u>	<u>170,000</u>
School Improvement Bonds:					
Term Bonds 1-4.6%	1,810,000		(50,000)	1,760,000	50,000
Capital Appreciation Bonds 2.85%, 3.15%	24,057	12,027		36,084	
Total School Improvement Bonds	<u>1,834,057</u>	<u>12,027</u>	<u>(50,000)</u>	<u>1,796,084</u>	<u>50,000</u>
Total Debt	<u>\$5,207,466</u>	<u>\$31,422</u>	<u>(\$210,000)</u>	<u>\$5,028,888</u>	<u>\$220,000</u>

On October 4, 2007, Russia Local School District issued a total of \$3,544,998 in school improvement refunding general obligation bonds. Of the \$3,544,998 in refunding bonds, \$1,725,000 is serial bonds with a 4% interest rate with a final maturity on December 1, 2021. \$1,785,000 is term bonds (\$700,000 with a 4% interest rate maturing December 1, 2024 and \$1,085,000 with a 4.2% interest rate maturing December 1, 2028). \$34,998 is capital appreciation bonds (maturity amount of \$215,000 on December 1, 2019 and 2020). The capital appreciation bonds were accreted \$19,395 in fiscal year 2013.

On March 9, 2010, the School District issued a total of \$1,940,700 in School Improvement Bonds to pay for the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond proceeds were used to retire the bond anticipation notes which matured May 4, 2010. Of the \$1,940,700 in improvement bonds, \$1,930,000 is term bonds with interest rates ranging from 1% to 4.6% with the final maturity on December 1, 2037. The remaining \$10,700 is capital appreciation bonds (maturity amount of \$55,000 on December 1, 2015 and 2016). The term bonds are subject to mandatory sinking fund redemption. The capital appreciation bonds were accreted \$12,027 in fiscal year 2013.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

10. DEBT (Continued)

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$220,000	\$195,173	\$415,173
2015	225,000	187,347	412,347
2016	186,346	228,439	414,785
2017	194,354	223,032	417,386
2018	255,000	163,733	418,733
2019-2023	974,998	1,109,742	2,084,740
2024-2028	1,620,000	451,993	2,071,993
2029-2033	725,000	177,053	902,053
2034-2038	530,000	62,740	592,740
Subtotal	4,930,698	2,799,252	7,729,950
Accretion on Bonds	98,190	(98,190)	
Total	\$5,028,888	\$2,701,062	\$7,729,950

11. FUND BALANCE

Fund balance is classified as non-spendable, 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:

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Food Service Operations			\$36,756	\$36,756
Classroom Maintenance			95,416	95,416
Athletics			3,316	3,316
Capital Improvements			181,054	181,054
Debt Service		\$906,508		906,508
Bus Purchases	\$3,342			3,342
Total Restricted	3,342	906,508	316,542	1,226,392
Assigned for:				
Unpaid Obligations	25,767			25,767
FY 14 Appropriations	1,307,771			1,307,771
Public School Support	4,233			4,233
Total Assigned	1,337,771			1,337,771
Unassigned	322,412			322,412
Total Fund Balance	\$1,663,525	\$906,508	\$316,542	\$2,886,575

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

12. SET-ASIDE REQUIREMENTS

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

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

<u>Capital Acquisitions</u>	
Set-aside Reserve Balance as of June 30, 2012	
Current Year Set-aside Requirement	\$80,940
Prior Year Offset from Bond Proceeds	(59,922)
Current Year Offset – Classroom facilities maintenance levy	(21,018)
Total Set-aside Reserve Balance at June 30, 2013	<u>\$0</u>
Excess Available to Carry-Over to Subsequent Year	<u>\$0</u>

The District had current year offsets that reduced the capital improvements set-aside. During prior fiscal years, the District issued \$4,500,500 and \$1,940,700 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,751,458 at June 30, 2013.

In addition to the above statutory set-asides, the District also has \$3,342 in monies restricted for school bus purchases.

13. DONOR-RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor-restricted endowments. Net position non-expendable of \$3,000 represents the principal portion of the endowment. The amount of net appreciation in the donor-restricted investments that is available for expenditures for the governing body is \$4,106 and is included as net position held in trust for scholarships. State law permits the governing body to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Western Ohio Computer Organization – The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$43,345 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council –The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 128 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2013, the School District paid \$51,113 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS
(Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2013, the School District paid \$410 SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a ten member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shelby County Schools Consortium – The Shelby County Schools Consortium is an insurance purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2013, Russia Local School District contributed \$379,107 from the General Fund. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2013, the School District paid \$42,265 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**RUSSIA LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

15. CONTINGENT LIABILITIES

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

16. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*", Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*," and Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and Statement No. 65, "*Items Previously Reported as Assets and Liabilities*."

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, GASB most notably, the fiscal dependency criterion. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

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). The implementation of this statement did not result in any change in the School District's financial statements.

17. SUBSEQUENT EVENT

On October 17, 2013, the School Board authorized the purchase of a bus not to exceed \$80,000.

This page intentionally left blank.



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

Russia Local School District
Shelby County
100 School Street
Russia, Ohio 45363

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Russia Local School District, Shelby County, (the School District) as of and for the year ended June 30, 2014 and 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 October 7, 2014, wherein we noted the School District adopted Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

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 opinion 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*.

Russia Local School District
Shelby County
Independent Auditor's Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
Page 2

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.



Dave Yost
Auditor of State

Columbus, Ohio

October 7, 2014



Dave Yost • Auditor of State

RUSSIA LOCAL SCHOOL DISTRICT

SHELBY 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 6, 2014