



Dave Yost • Auditor of State

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ashland City School District
Ashland County
416 Arthur Street
Ashland, Ohio 44805

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashland City School District, Ashland County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashland City School District, Ashland County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2015

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Ashland City School District
Ashland County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of the Ashland City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position increased \$1,540,188, which represents a 5.1 percent increase from 2013.
- Capital assets increased \$5,931,564 during fiscal year 2014.
- During the year, outstanding debt decreased from \$31,119,874 to \$30,661,818 due to principal payments made by the School District.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Ashland City School District
Ashland County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the classroom facilities fund.

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

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 20.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Ashland City School District
Ashland County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

Table 1
Net Position

	Governmental Activities	
	2014	Restated 2013
Assets		
Current and Other Assets	\$ 69,274,907	\$ 68,824,365
Capital Assets	17,055,755	11,124,191
<i>Total Assets</i>	86,330,662	79,948,556
 Deferred Outflows of Resources	 39,280	 43,645
 Liabilities		
Other Liabilities	9,214,238	3,948,732
Long-Term Liabilities	32,776,498	33,289,651
<i>Total Liabilities</i>	41,990,736	37,238,383
 Deferred Inflows of Resources	 12,664,297	 12,579,097
 Net Position		
Net Investment in Capital Assets	7,821,313	7,082,334
Restricted	17,689,864	17,765,046
Unrestricted	6,203,732	5,327,341
<i>Total Net Position</i>	\$ 31,714,909	\$ 30,174,721

At year end, capital assets represented 20 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and construction in progress. Net investment in capital assets was \$7,821,313 at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The School District's pooled cash increased \$8,386,917 in fiscal year 2014. However, this was offset by a \$8,395,834 decrease in intergovernmental receivables. Both fluctuations are the result of the School District receiving Ohio Facilities Construction Commission (OFCC) grant money and not disbursing it by the end of fiscal year 2014.

Capital assets increased \$5,931,564 due to new construction. Contracts payable also increased by \$5,023,056 due to the construction projects.

Ashland City School District
Ashland County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013*
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,471,008	\$ 1,446,665
Operating Grants	3,243,747	3,845,327
Capital Grants	0	849,390
<i>Total Program Revenues</i>	<u>4,714,755</u>	<u>6,141,382</u>
<i>General Revenues:</i>		
Property Taxes	16,688,534	15,743,024
Grants and Entitlements Not Restricted	15,295,561	14,017,960
Grants and Entitlements Restricted	0	15,796,045
Payments in Lieu of Taxes	189,929	214,974
Other	290,931	64,384
<i>Total General Revenues</i>	<u>32,464,955</u>	<u>45,836,387</u>
<i>Total Revenues</i>	<u>37,179,710</u>	<u>51,977,769</u>
Program Expenses		
<i>Instruction:</i>		
Regular	14,609,448	14,541,514
Special	5,029,217	4,501,791
Vocational	470,134	581,581
Other	1,424,383	1,264,464
<i>Support Services:</i>		
Pupils	1,508,148	1,418,179
Instructional Staff	1,067,028	1,404,476
Board of Education	177,882	129,910
Administration	2,070,833	2,262,847
Fiscal	846,596	803,984
Business	384,509	351,644
Operation and Maintenance of Plant	2,313,956	2,359,386
Pupil Transportation	1,339,754	1,228,637
Central	454,132	354,486
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,372,281	1,453,696
Community Services	190,777	299,836
Extracurricular Activities	1,315,548	1,033,992
<i>Debt Service:</i>		
Interest and Fiscal Charges	1,064,896	322,669
<i>Total Expenses</i>	<u>35,639,522</u>	<u>34,313,092</u>
<i>Increase in Net Position</i>	<u>\$ 1,540,188</u>	<u>\$ 17,664,677</u>

* 2013 was not restated for changes noted in Note 2Q. These activities are deemed insignificant and would not impact the entity-wide analysis.

Ashland City School District
Ashland County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Restricted grant and entitlement revenue in fiscal year 2014 decreased by \$15,796,045, which is mainly due the School District's award of an OFCC grant of \$15,796,045 in fiscal year 2013. Capital grants decreased in fiscal year 2014 by \$849,390 which is due to the School District receiving donated property in fiscal year 2013. Operating grants decreased by \$601,580 due to the reduction in federal and state grant awards, as well as the timing of the grant draw downs.

Fluctuations between instruction special and instructional staff expenses can be attributed to re-coding of expenses in accordance with the revised expenditure standards approved by the State Board of Education on December 11, 2012. Interest expense increased due to additional debt from the Ohio School Facilities Commission in fiscal year 2013.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2014	2013*	2014	2013*
Instruction:				
Regular	\$ 14,609,448	14,541,514	\$ 13,847,235	\$ 13,686,995
Special	5,029,217	4,501,791	3,582,574	2,625,259
Vocational	470,134	581,581	386,560	443,688
Other	1,424,383	1,264,464	1,424,383	1,264,464
Support Services:				
Pupils	1,508,148	1,418,179	1,496,816	1,418,179
Instructional Staff	1,067,028	1,404,476	586,671	1,272,263
Board of Education	177,882	129,910	177,882	129,910
Administration	2,070,833	2,262,847	1,962,262	1,984,743
Fiscal	846,596	803,984	846,596	740,363
Business	384,509	351,644	383,647	351,644
Operation and Maintenance of Plant	2,313,956	2,359,386	2,290,570	2,345,267
Pupil Transportation	1,339,754	1,228,637	1,321,222	542,652
Central	454,132	354,486	454,132	290,865
Operation of Non-Instructional Services:				
Food Service Operations	1,372,281	1,453,696	122,487	(8,726)
Community Services	190,777	299,836	(23,843)	92,589
Extracurricular Activities	1,315,548	1,033,992	1,000,677	668,886
Debt Service:				
Interest and Fiscal Charges	1,064,896	322,669	1,064,896	322,669
Total Expenses	\$ 35,639,522	\$ 34,313,092	\$ 30,924,767	\$ 28,171,710

* 2013 was not restated for changes noted in Note 2Q. These activities are deemed insignificant and would not impact the entity-wide analysis.

Ashland City School District
Ashland County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The dependence upon general revenues for governmental activities is apparent. Nearly 87 percent of governmental activities are supported through taxes and other general revenues; such revenues are 87 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$45,653,482 and expenditures of \$42,162,183 for fiscal year 2014.

The general fund's net change in fund balance for fiscal year 2014 was an increase of \$881,596. Revenue in the general fund was \$30,827,873, which was an increase of \$1,518,493 over the revenue in fiscal year 2013. Most of this increase was in the area of intergovernmental revenue as State foundation increased. Expenses in fiscal year 2014 were \$141,910 lower than the fiscal year 2013 total of \$30,088,187.

The fund balance of the classroom facilities fund increased by \$2,866,410. The classroom facilities fund was created in fiscal year 2013 to account for the expenditures for the School District's major construction and renovation project. The increase in fund balance is the result of timing differences between project funding being received and project expenditures.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District did amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue was \$33,804 lower than the final budget basis revenue of \$30,237,465.

Final expenditure appropriations of \$29,796,883 were \$11,698 higher than the actual expenditures of \$29,785,185.

Ashland City School District
Ashland County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$17,055,755 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities	
	2014	Restated 2013
Land	\$ 1,441,649	\$ 1,441,649
Construction in Progress	7,094,158	625,725
Land Improvements	573,357	600,546
Buildings and Improvements	6,628,240	7,046,152
Furniture, Fixtures and Equipment	801,635	836,832
Vehicles	516,716	573,287
<i>Totals</i>	<u>\$ 17,055,755</u>	<u>\$ 11,124,191</u>

The \$5,931,564 increase in capital assets was attributable to additional purchases exceeding current year depreciation. The School District began a construction project in fiscal year 2013. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2014, the School District had \$30,661,818 in debt outstanding. See Note 12 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2014	2013
Land Purchase Loan	\$ 46,000	\$ 60,000
Fisher-Titus Foundation Loan	190,000	200,000
Energy Conservation Refunding Bond	2,795,000	3,045,000
School Improvement Bonds - Serial & Term	27,130,000	27,355,000
School Improvement Bonds - Capital Appreciation	114,728	114,728
Accretion on Capital Appreciation Bonds	63,863	10,838
Bond Premium	899,326	928,510
Bond Discounts	(577,099)	(594,202)
<i>Total</i>	<u>\$ 30,661,818</u>	<u>\$ 31,119,874</u>

Ashland City School District
Ashland County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Current Issues

On November 4, 2012, a bond issue was passed by the citizens of the community of Ashland City Schools, to build a new elementary building, a new middle school building, and a new auditorium addition to the current high school building. With the passage of the levy, the State of Ohio, through the Ohio Facilities Construction Commission, secured a contribution to the elementary and middle school facilities of 41percent. The auditorium funds separate from the Classroom Facilities Assistance Program will cost approximately \$4,750,000. The cost of the elementary and middle school project is approximately \$38,526,940.

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

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

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

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

Contacting the School District's Financial Management

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

Ashland City School District
Ashland County, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 44,376,035
Cash and Investments in Segregated Accounts	3,314
Receivables:	
Accounts	15,965
Intergovernmental	7,579,435
Property Taxes	17,300,158
Nondepreciable Capital Assets	8,535,807
Depreciable Capital Assets (Net)	8,519,948
<i>Total Assets</i>	86,330,662
 Deferred Outflows of Resources	
Deferred Charges on Refunding	39,280
 Liabilities	
Accounts Payable	84,454
Accrued Wages and Benefits	2,692,345
Contracts Payable	5,023,056
Intergovernmental Payable	722,073
Retainage Payable	170,756
Matured Compensated Absences Payable	91,101
Accrued Interest Payable	166,904
Claims Payable	263,549
Long Term Liabilities:	
Due Within One Year	993,584
Due In More Than One Year	31,782,914
<i>Total Liabilities</i>	41,990,736
 Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	12,664,297
 Net Position	
Net Investment in Capital Assets	7,821,313
Restricted For:	
Capital Outlay	15,553,759
Debt Service	1,431,722
Other Purposes	704,383
Unrestricted	6,203,732
<i>Total Net Position</i>	\$ 31,714,909

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
			Governmental Activities	
Governmental Activities				
Instruction:				
Regular	\$ 14,609,448	\$ 584,169	\$ 178,044	\$ (13,847,235)
Special	5,029,217	40,599	1,406,044	(3,582,574)
Vocational	470,134	0	83,574	(386,560)
Other	1,424,383	0	0	(1,424,383)
Support Services:				
Pupils	1,508,148	0	11,332	(1,496,816)
Instructional Staff	1,067,028	0	480,357	(586,671)
Board of Education	177,882	0	0	(177,882)
Administration	2,070,833	94,604	13,967	(1,962,262)
Fiscal	846,596	0	0	(846,596)
Business	384,509	862	0	(383,647)
Operation and Maintenance of Plant	2,313,956	23,350	36	(2,290,570)
Pupil Transportation	1,339,754	18,532	0	(1,321,222)
Central	454,132	0	0	(454,132)
Operation of Non-Instructional Services:				
Food Service Operations	1,372,281	415,414	834,380	(122,487)
Community Services	190,777	0	214,620	23,843
Extracurricular Activities	1,315,548	293,478	21,393	(1,000,677)
Debt Service:				
Interest and Fiscal Charges	1,064,896	0	0	(1,064,896)
Total	\$ 35,639,522	\$ 1,471,008	\$ 3,243,747	(30,924,767)

General Revenues

Property Taxes Levied for:

General Purposes	14,487,008
Debt Service	1,573,428
Capital Outlay	524,041
Other Purposes	104,057
Grants and Entitlements Not Restricted to Specific Programs	15,295,561
Payments in Lieu of Taxes	189,929
Investment Earnings	224,558
Miscellaneous	66,373
Total General Revenues	32,464,955

Change in Net Position

1,540,188

Net Position Beginning of Year (Restated-See Note 2Q)

30,174,721

Net Position End of Year

\$ 31,714,909

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 5,262,611	\$ 29,931,295	\$ 6,741,912	\$ 41,935,818
Cash and Cash Equivalents in Segregated Accounts	0	0	3,314	3,314
Receivables:				
Accounts	15,965	0	0	15,965
Interfund	14,286	0	0	14,286
Intergovernmental	45,053	7,085,942	448,440	7,579,435
Property Taxes	14,954,755	0	2,345,403	17,300,158
<i>Total Assets</i>	<u>\$ 20,292,670</u>	<u>\$ 37,017,237</u>	<u>\$ 9,539,069</u>	<u>\$ 66,848,976</u>
Liabilities				
Accounts Payable	\$ 56,552	\$ 0	\$ 27,902	\$ 84,454
Accrued Wages and Benefits	2,366,429	0	325,916	2,692,345
Contracts Payable	0	4,329,427	693,629	5,023,056
Intergovernmental Payable	662,989	0	59,084	722,073
Retainage Payable	0	148,396	22,360	170,756
Matured Compensated Absences Payable	91,101	0	0	91,101
Interfund Payable	0	0	14,286	14,286
<i>Total Liabilities</i>	<u>3,177,071</u>	<u>4,477,823</u>	<u>1,143,177</u>	<u>8,798,071</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	10,947,383	0	1,716,914	12,664,297
Unavailable Revenue	727,104	7,085,942	484,490	8,297,536
<i>Total Deferred Inflows of Resources</i>	<u>11,674,487</u>	<u>7,085,942</u>	<u>2,201,404</u>	<u>20,961,833</u>
Fund Balances				
Nonspendable	17,637	0	0	17,637
Restricted	0	25,453,472	6,430,242	31,883,714
Assigned	172,804	0	0	172,804
Unassigned (Deficit)	5,250,671	0	(235,754)	5,014,917
<i>Total Fund Balances</i>	<u>5,441,112</u>	<u>25,453,472</u>	<u>6,194,488</u>	<u>37,089,072</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 20,292,670</u>	<u>\$ 37,017,237</u>	<u>\$ 9,539,069</u>	<u>\$ 66,848,976</u>

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances		\$ 37,089,072
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,055,755
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 7,456,398	
Property Taxes	<u>841,138</u>	8,297,536
 An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		 2,176,668
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		 (166,904)
 In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		 39,280
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Loans Payable	(236,000)	
General Obligation Bonds	(29,925,000)	
Capital Appreciation Bonds	(114,728)	
Bond Premium	(899,326)	
Bond Discount	577,099	
Accretion of Interest - Capital Appreciation Bonds	(63,863)	
Compensated Absences	<u>(2,114,680)</u>	<u>(32,776,498)</u>
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ 31,714,909</u></u>

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 14,563,617	\$ 0	\$ 2,194,893	\$ 16,758,510
Intergovernmental	15,024,755	8,258,161	3,608,019	26,890,935
Investment Income	118,506	85,386	17,744	221,636
Tuition and Fees	643,798	0	0	643,798
Extracurricular Activities	188,421	0	206,502	394,923
Rentals	19,412	0	0	19,412
Charges for Services	16,875	0	415,413	432,288
Contributions and Donations	12,685	0	22,993	35,678
Payments in Lieu of Taxes	189,929	0	0	189,929
Miscellaneous	49,875	0	16,498	66,373
<i>Total Revenues</i>	<u>30,827,873</u>	<u>8,343,547</u>	<u>6,482,062</u>	<u>45,653,482</u>
Expenditures				
Current:				
Instruction:				
Regular	14,152,927	0	258,584	14,411,511
Special	3,506,730	0	1,502,633	5,009,363
Vocational	464,166	0	0	464,166
Other	1,424,383	0	0	1,424,383
Support Services:				
Pupils	1,496,617	0	13,612	1,510,229
Instructional Staff	601,852	0	504,759	1,106,611
Board of Education	177,882	0	0	177,882
Administration	2,034,316	0	10,060	2,044,376
Fiscal	833,087	695	11,703	845,485
Business	382,384	0	0	382,384
Operation and Maintenance of Plant	2,061,649	0	4,468	2,066,117
Pupil Transportation	1,122,445	0	89,591	1,212,036
Central	440,972	0	22,979	463,951
Extracurricular Activities	942,277	0	321,310	1,263,587
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,299,206	1,299,206
Community Services	0	0	190,164	190,164
Capital Outlay	0	5,476,442	1,288,191	6,764,633
Debt Service:				
Principal Retirement	250,000	0	249,000	499,000
Interest and Fiscal Charges	54,590	0	972,509	1,027,099
<i>Total Expenditures</i>	<u>29,946,277</u>	<u>5,477,137</u>	<u>6,738,769</u>	<u>42,162,183</u>
<i>Net Change in Fund Balance</i>	881,596	2,866,410	(256,707)	3,491,299
<i>Fund Balances Beginning of Year</i>	<u>4,559,516</u>	<u>22,587,062</u>	<u>6,451,195</u>	<u>33,597,773</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,441,112</u>	<u>\$ 25,453,472</u>	<u>\$ 6,194,488</u>	<u>\$ 37,089,072</u>

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$	3,491,299
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	\$ 6,730,259	
Current Year Depreciation	<u>(798,695)</u>	5,931,564
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(69,975)	
Intergovernmental	<u>(8,406,719)</u>	(8,476,694)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		499,000
Amortization of gain/loss on refunding bonds are not reported in the fund but are allocated as an expense over the life of the debt in the statement of activities.		
		(4,365)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and discount are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	7,512	
Amortization of Premium on Bonds	29,184	
Amortization of Discount on Bonds	<u>(17,103)</u>	19,593
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		77,719
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		55,097
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(53,025)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>1,540,188</u></u>

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 14,048,862	\$ 14,248,373	\$ 14,244,473	\$ (3,900)
Intergovernmental	14,767,329	14,972,944	14,972,944	0
Investment Income	65,769	76,589	66,685	(9,904)
Tuition and Fees	576,645	584,674	584,674	0
Extracurricular Activities	73,334	74,355	74,355	0
Rentals	18,253	18,507	18,507	0
Charges for Services	8,467	8,585	8,585	0
Contributions and Donations	2,762	2,800	2,800	0
Miscellaneous	227,471	250,638	230,638	(20,000)
<i>Total Revenues</i>	<u>29,788,892</u>	<u>30,237,465</u>	<u>30,203,661</u>	<u>(33,804)</u>
Expenditures				
Current:				
Instruction:				
Regular	13,870,104	13,898,924	13,888,926	9,998
Special	3,506,786	3,510,015	3,510,015	0
Vocational	473,334	473,770	473,770	0
Other	1,426,115	1,427,428	1,427,428	0
Support Services:				
Pupils	1,505,674	1,507,061	1,507,061	0
Instructional Staff	630,991	633,272	631,572	1,700
Board of Education	201,250	201,435	201,435	0
Administration	1,966,012	1,967,822	1,967,822	0
Fiscal	851,257	852,041	852,041	0
Business	377,744	378,092	378,092	0
Operation and Maintenance of Plant	2,158,847	2,160,835	2,160,835	0
Pupil Transportation	1,129,123	1,130,163	1,130,163	0
Central	453,269	453,686	453,686	0
Extracurricular Activities	893,966	894,789	894,789	0
Capital Outlay	2,957	2,960	2,960	0
Debt Service:				
Principal Retirement	249,770	250,000	250,000	0
Interest and Fiscal Charges	54,540	54,590	54,590	0
<i>Total Expenditures</i>	<u>29,751,739</u>	<u>29,796,883</u>	<u>29,785,185</u>	<u>11,698</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>37,153</u>	<u>440,582</u>	<u>418,476</u>	<u>(22,106)</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	27,646	28,031	28,031	0
Advances Out	(14,286)	(14,286)	(14,286)	0
Transfers Out	(31,063)	(31,092)	(31,092)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(17,703)</u>	<u>(17,347)</u>	<u>(17,347)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	19,450	423,235	401,129	(22,106)
<i>Fund Balance Beginning of Year</i>	4,291,324	4,291,324	4,291,324	0
Prior Year Encumbrances Appropriated	248,666	248,666	248,666	0
<i>Fund Balance End of Year</i>	<u>\$ 4,559,440</u>	<u>\$ 4,963,225</u>	<u>\$ 4,941,119</u>	<u>\$ (22,106)</u>

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2014

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	\$ 2,440,217
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	263,549
Net Position	
Unrestricted	\$ 2,176,668

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 4,495,606
Other	78,853
<i>Total Operating Revenues</i>	4,574,459
Operating Expenses	
Salaries and Wages	56,150
Purchased Services	755,514
Claims	3,671,163
Other	16,835
<i>Total Operating Expenses</i>	4,499,662
<i>Operating Income</i>	74,797
Non-Operating Revenues	
Interest	2,922
<i>Change in Net Position</i>	77,719
<i>Net Position Beginning of Year</i>	2,098,949
<i>Net Position End of Year</i>	\$ 2,176,668

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 4,495,606
Other Cash Receipts	78,853
Cash Paid for Goods and Services	(758,633)
Cash Paid for Employee Benefits	(56,150)
Cash Paid for Claims	(3,714,455)
Other Cash Payments	<u>(16,835)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>28,386</u>
Cash Flows From Investing Activities	
Interest on Investments	<u>2,922</u>
<i>Net Increase in Cash and Cash Equivalents</i>	31,308
<i>Cash and Cash Equivalents, Beginning of Year</i>	<u>2,408,909</u>
<i>Cash and Cash Equivalents, End of Year</i>	<u><u>\$ 2,440,217</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$ 74,797
Adjustments:	
(Decrease) in Liabilities:	
Accounts Payable	(1,751)
Intergovernmental Payable	(1,368)
Claims Payable	(43,292)
<i>Total Adjustments</i>	<u>(46,411)</u>
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ 28,386</u></u>

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 83,795	\$ 61,625
Investments in Segregated Accounts	297,075	0
<i>Total Assets</i>	380,870	\$ 61,625
 Liabilities		
Due to Students	0	\$ 61,625
 Net Position		
Held in Trust for Scholarships	\$ 380,870	

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 6,085
Investment Earnings	53,333
	59,418
<i>Total Additions</i>	<i>59,418</i>
Deductions	
Payments in Accordance with Trust Agreements	13,546
	45,872
<i>Change in Net Position</i>	<i>45,872</i>
<i>Net Position Beginning of Year</i>	<i>334,998</i>
<i>Net Position End of Year</i>	<i>\$ 380,870</i>

See accompanying notes to the basic financial statements.

Ashland City School District
Ashland County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the School District and Reporting Entity

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

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

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; (3) the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with the Tri-County Computer Service Association (TCCSA), which is defined as a jointly governed organization. A jointly governed organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 13.

The Ashland Public Library (the “Library”) is a related organization to the School District. The school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2014.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Ashland City School District
Ashland County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Ashland City School District
Ashland County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Classroom Facilities Fund The classroom facilities fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

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

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

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

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

C. Measurement Focus

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

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

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

Ashland City School District
Ashland County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

D. Basis of Accounting

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources A deferred inflow of resources is an acquisition of assets by the School District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the School District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

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On the accrual basis of accounting, unamortized deferred charges on debt refunding are reported as a deferred outflow of resources. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2014, investments were limited to STAROhio, Federal Home Loan Mortgage Corporation notes, Federal National Mortgage Association notes, Federal Farm Credit Bank notes, Columbus Ohio Series One, Ohio State serial bonds, Ohio State general obligation bonds, Ohio State building authority bonds, Ohio State University bonds and stock certificates.

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

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

STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a4 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings (including fair market value adjustments for investments) credited to the general fund during fiscal year 2014 amounted to \$118,506, which includes \$102,982 assigned from other School District funds.

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

G. Capital Assets

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

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

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

Description	Estimated Lives
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	15 - 20 years
Vehicles	8 years

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H. Interfund Balances

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

I. Compensated Absences

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

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

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the funds from which the employee will be paid.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net 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. At June 30, 2014, none of the School District's net positions were restricted by enabling legislation. Net position restricted for other purposes include instructional activities and grants.

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

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L. Fund Balance

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

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

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

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

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

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

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

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M. Interfund Activity

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

N. Operating Revenues and Expenses

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

P. Estimates

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

Q. Implementation of New Accounting Policies and an Accounting Change

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2013—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

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 GASB Statement No. 65 resulted in debt issuance costs being expensed rather than being amortized.

The School District also had a re-valuation of capital assets by an appraisal company. The re-valuation was unrelated to GASB Statement No. 65. The re-valuation and implementation of GASB Statement No. 65 had the following effect on net position as previously reported:

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	Governmental Activities
Net Position Previously Reported June 30, 2013	\$ 31,788,026
Adjustments:	
Depreciable Capital Assets	\$ (1,259,015)
Accumulated Depreciation	13,134
Unamortized Debt Issuance Costs	(367,424)
Restated Net Position, July 1, 2013	\$ 30,174,721

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

Note 3 – Accountability

Fund balances at June 30, 2014 included the following individual fund deficits:

<i>Non-major Special Revenue Funds</i>	
Food Service	\$ 141,769
Alternative Schools	3,502
Title I	90,483

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

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

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

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

Net Change in Fund Balance	
	General
GAAP Basis	\$ 881,596
Net Adjustment for Revenue Accruals	(405,296)
Net Adjustment for Expenditure Accruals	122,189
Advances Out	(14,286)
Funds Budgeted Elsewhere **	10,763
Adjustment for Encumbrances	(193,837)
Budget Basis	\$ 401,129

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

Note 5 - Deposits and Investments

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

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

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

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

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

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

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

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

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According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2014, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the School District's deposits was \$26,346,584 which includes \$50 of cash on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2014, \$5,293,165 of the School District's bank balance of \$26,417,680 was exposed to custodial credit risk as discussed above. \$21,124,515 of the bank balance was covered by Federal Deposit Insurance Corporation.

Investments

As of June 30, 2014, the School District had the following investments:

Standard & Poor's Rating	Investment Type	Fair Value	Investment Maturities			Percent of Total
			6 Months or Less	13 - 24 Months	More than 24 Months	
AA+	Federal Farm Credit Bank	\$ 2,896,808	\$ 0	\$ 2,499,196	\$ 397,612	15.94%
AA+	Federal National Mortgage Association	3,961,386	0	0	3,961,386	21.79%
AA+	Federal Home Loan Mortgage Corporation	1,001,220	0	0	1,001,220	5.51%
AAA	Columbus Ohio Series One	273,090	0	0	273,090	1.50%
AA+	Ohio State Serial A	275,063	0	0	275,063	1.51%
AA+	Ohio State General Obligation Bonds	246,703	0	246,703	0	1.36%
AA	Ohio State Building Authority	134,024	0	134,024	0	0.74%
AA	Ohio State University	616,261	0	616,261	0	3.39%
AAAm	STAROhio	8,773,630	8,773,630	0	0	48.26%
	Total Investments	<u>\$ 18,178,185</u>	<u>\$ 8,773,630</u>	<u>\$ 3,496,184</u>	<u>\$ 5,908,371</u>	<u>100.00%</u>

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

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STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2014, is 51 days.

Credit Risk The School District's investments at June 30, 2014 are rated as shown above by Standard & Poor's. The School District has no investment policy that would further limit its investment choices.

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

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage to total of each investment type held by non-endowment funds of the School District at June 30, 2014.

Investments – Permanent Endowment Fund

As of June 30, 2014, the School District's permanent endowment fund had the following investments:

Investment Type	Fair Value	Percent of Total
Stocks:		
Alcatel - Lucent	\$ 653	0.22%
AT&T	170,924	57.54%
CenturyLink, Inc.	3,435	1.16%
ComCast	40,489	13.63%
Exelon	7,258	2.44%
Fairpoint	301	0.10%
NCR Corp.	3,543	1.19%
Teradata	4,168	1.40%
Verizon	64,757	21.80%
Frontier	1,547	0.52%
Total	<u>\$ 297,075</u>	<u>100.00%</u>

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

Note 6 - Property Taxes

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

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Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Ashland and Richland Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$3,280,268 in the general fund, \$371,929 in the bond retirement fund, \$116,635 in the permanent improvement fund and \$25,891 in the classroom facilities fund. The amount available for advance at June 30, 2013, was \$2,961,124 in the general fund, \$266,738 in the bond retirement fund, \$108,391 in the permanent improvement fund and \$20,659 in the classroom facilities fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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	\$ 429,423,280	96.13%	\$ 430,755,330	95.86%
Public Utility Personal	17,291,510	3.87%	18,605,760	4.14%
Total Assessed Values	\$ 446,714,790	100.00%	\$ 449,361,090	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$ 65.95		 \$ 66.85	

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Note 7 - Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (rent, student fees and tuition), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal Funds. All receivables are expected to be collected within one year.

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Restated Balance 06/30/2013	Additions	Deletions	Balance 06/30/2014
Governmental Activities				
<i>Capital Assets not being depreciated</i>				
Land	\$ 1,441,649	\$ 0	\$ 0	\$ 1,441,649
Construction in Progress	625,725	6,468,433	0	7,094,158
<i>Total Capital Assets not being Depreciated</i>	<u>2,067,374</u>	<u>6,468,433</u>	<u>0</u>	<u>8,535,807</u>
<i>Capital Assets being depreciated</i>				
Land Improvements	3,239,998	74,735	0	3,314,733
Buildings and Improvements	15,850,655	0	0	15,850,655
Furniture, Fixtures and Equipment	4,378,046	97,500	0	4,475,546
Vehicles	1,841,130	89,591	0	1,930,721
<i>Total Capital Assets Being Depreciated</i>	<u>25,309,829</u>	<u>261,826</u>	<u>0</u>	<u>25,571,655</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(2,639,452)	(101,924)	0	(2,741,376)
Buildings and Improvements	(8,804,503)	(417,912)	0	(9,222,415)
Furniture, Fixtures and Equipment	(3,541,214)	(132,697)	0	(3,673,911)
Vehicles	(1,267,843)	(146,162)	0	(1,414,005)
<i>Total Accumulated Depreciation</i>	<u>(16,253,012)</u>	<u>(798,695) *</u>	<u>0</u>	<u>(17,051,707)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>9,056,817</u>	<u>(536,869)</u>	<u>0</u>	<u>8,519,948</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 11,124,191</u>	<u>\$ 5,931,564</u>	<u>\$ 0</u>	<u>\$ 17,055,755</u>

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For the Fiscal Year Ended June 30, 2014

* Depreciation expense was charged to governmental functions as follows:

Instruction:			
Regular	\$	259,606	
Special		17,027	
Vocational		12,739	
Support Services:			
Pupils		430	
Instructional Staff		9,452	
Administration		9,845	
Operation and Maintenance of Plant		228,923	
Pupil Transportation		125,297	
Operation of Non-Instructional Services:			
Food Service Operations		83,505	
Extracurricular Activities		51,871	
		<u>51,871</u>	
<i>Total Depreciation</i>	<u>\$</u>	<u>798,695</u>	

Note 9 - Risk Management

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

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$263,549, reported in the fund at year end, was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The School District purchases stop-loss coverage of \$100,000 per employee.

Changes in fund's claims liability for the fiscal years 2014 and 2013 are as follows:

	<u>Balance</u>		<u>Current</u>		<u>Claims</u>		<u>Balance</u>
	Beginning of Year		Year Claims		Payments		End of Year
2013	\$ 395,040	\$	3,588,857	\$	3,677,056	\$	306,841
2014	\$ 306,841	\$	3,671,163	\$	3,714,455	\$	263,549

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

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Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$447,452, \$378,753 and \$520,204, respectively; 68 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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.

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

Funding Policy - For fiscal year 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 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,789,782, \$1,934,768 and \$2,481,832, respectively; 79 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$93,724 made by the School District and \$73,640 made by the plan members.

C. Social Security System

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

Note 11 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by [contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746](http://www.ohsers.org). It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$54,788, \$52,251 and \$20,510, respectively; 68 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare Part B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$25,959, \$21,395 and \$27,968, respectively; 68 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 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 \$137,676, \$148,828 and \$177,274, respectively; 79 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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Note 12 - Long-Term Obligations

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Land Purchase Loan	4.50% to 5.10%	\$ 178,000	December 1, 2023
Fisher-Titus Foundation Loan	0%	250,000	November 1, 2017

General Obligation Bonds:

Energy Conservation Improvement Refunding Bonds	1.50% to 3.50%	3,045,000	November 1, 2023
Classroom Facilities and School Improvement Bonds	1.50% to 4.00%	9,890,000	November 1, 2042
Classroom Facilities and School Improvement Bonds	1.25% to 4.00%	17,579,728	November 1, 2049

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	Principal Outstanding 06/30/2013	Additions	Deductions	Principal Outstanding 06/30/2014	Amounts Due Within One Year
<i>Governmental Activities</i>					
Land Purchase Loan	\$ 60,000	\$ 0	\$ (14,000)	\$ 46,000	\$ 15,000
Fisher-Titus Foundation Loan	200,000	0	(10,000)	190,000	50,000
<i>General Obligation Bonds</i>					
Classroom Facilities and School Improvement Bonds					
Series and Term Bonds	9,890,000	0	(120,000)	9,770,000	220,000
Unamortized Premium	111,807	0	(3,855)	107,952	0
Discount	(89,024)	0	3,070	(85,954)	0
Classroom Facilities and School Improvement Bonds					
Series and Term Bonds	17,465,000	0	(105,000)	17,360,000	250,000
Capital Appreciation Bonds	114,728	0	0	114,728	0
Accretion on Capital Appreciation Bonds	10,838	53,025	0	63,863	0
Unamortized Premium	780,116	0	(21,670)	758,446	0
Discount	(505,178)	0	14,033	(491,145)	0
Energy Conservation Improvement Refunding Bonds					
Series and Term Bonds	3,045,000	0	(250,000)	2,795,000	260,000
Unamortized Premium	36,587	0	(3,659)	32,928	0
<i>Total General Obligation Bonds</i>	<u>30,859,874</u>	<u>53,025</u>	<u>(487,081)</u>	<u>30,425,818</u>	<u>730,000</u>
Compensated Absences	<u>2,169,777</u>	<u>403,910</u>	<u>(459,007)</u>	<u>2,114,680</u>	<u>198,584</u>
<i>Total Governmental Activities</i>	<u>\$ 33,289,651</u>	<u>\$ 456,935</u>	<u>\$ (970,088)</u>	<u>\$ 32,776,498</u>	<u>\$ 993,584</u>

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

Fisher-Titus Foundation Loan During fiscal year 2013, the School District received land and a building located on Claremont Avenue. The School District plans to renovate the property for future use as central office and the transportation department. The property was owned jointly with half being donated to the School District.

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The School District agreed to pay the Fisher-Titus Foundation \$250,000 for the other half of the property. The repayment is from the permanent improvement fund.

2013 Energy Conservation Improvement Refunding Bonds

On June 26, 2013, the School District issued \$3,045,000 of general obligation serial bonds. The bonds refunded \$2,972,973 of outstanding Energy Conservation Bonds. The bonds were issued for a ten year period with final maturity at November 1, 2023. At the date of refunding, \$3,081,587 (including premium and after underwriting discount, and other issuance costs) was received to pay off old debt. As a result, \$2,972,973 of the Energy Conservation Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The balance of the defeased debt at June 30, 2014 was \$2,747,481.

These refunding bonds were issued with a premium of \$36,587, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method.

The School District refunded the Energy Conservation Bonds to save \$106,531 in total debt service payments over the next ten years. The repayment is from the general fund.

2013 Classroom Facilities and School Improvement Bonds – Series A

On April 5, 2013, the School District issued \$9,890,000 of general obligation bonds, which included serial and term bonds in the amount of \$5,900,000 and \$3,990,000, respectively. The bonds were issued for a thirty year period with final maturity on November 1, 2042.

These improvement bonds were issued with a premium of \$111,807, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The discount of \$89,024 is also being amortized over the life of the bonds using the straight-line method. The serial bonds were issued with varying interest rates of 1.50 to 3.25 percent. The term bonds were issued with varying interest rates of 3.50 to 4.00 percent. The repayment is from the debt service fund.

2013 Classroom Facilities and School Improvement Bonds – Series B

On April 22, 2013, the School District issued \$17,579,728 of general obligation bonds, which included serial, term and capital appreciation bonds in the amount of \$4,410,000, \$13,055,000 and \$114,728, respectively. The bonds were issued for a thirty-seven year period with final maturity on November 1, 2049.

These improvements bonds were issued with a premium of \$780,116, which is reported as an increase to bonds payable. The premium amount is being amortized to interest expense over the life of the bonds using the straight-line method. The bonds were issued at a discount of \$505,178 which is reported in the accompanying financial statements as a decrease to bonds payable and is also being amortized over the life of the bonds using the straight-line method.

The \$17,579,728 bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 1.25 to 3.375 percent. The term bonds were issued with a varying interest rate of 3.00 to 4.00 percent.

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The capital appreciation bonds will mature from November 1, 2017 to November 1, 2020. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$930,000. The fiscal year 2014 accretion amount was \$53,025. The repayment is from the debt service fund.

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

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2014 are as follows:

Fiscal Year	Land Purchase Loan		Fisher-Titus Foundation	Classroom Facilities Series and Term Bonds	
	Principal	Interest	Principal	Principal	Interest
2015	\$ 15,000	\$ 2,396	\$ 50,000	\$ 470,000	\$ 932,513
2016	15,000	1,658	50,000	480,000	921,388
2017	16,000	862	50,000	490,000	910,318
2018	0	0	40,000	245,000	901,525
2019	0	0	0	250,000	894,099
2020-2024	0	0	0	2,245,000	4,345,824
2025-2029	0	0	0	3,010,000	3,975,062
2030-2034	0	0	0	3,485,000	3,487,227
2035-2039	0	0	0	4,125,000	2,835,014
2040-2044	0	0	0	4,965,000	1,974,519
2045-2049	0	0	0	6,015,000	890,500
2050	0	0	0	1,350,000	27,000
Total	\$ 46,000	\$ 4,916	\$ 190,000	\$ 27,130,000	\$ 22,094,989

Fiscal Year	Classroom Facilities Capital Appreciation Bonds		Energy Conservation Refunding Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 0	\$ 0	\$ 260,000	\$ 61,138	\$ 795,000	\$ 996,047
2016	0	0	265,000	56,550	810,000	979,596
2017	0	0	265,000	52,575	821,000	963,755
2018	48,024	206,976	270,000	48,563	603,024	1,157,064
2019	33,834	226,166	275,000	43,788	558,834	1,164,053
2020-2024	32,870	382,130	1,460,000	112,868	3,737,870	4,840,822
2025-2029	0	0	0	0	3,010,000	3,975,062
2030-2034	0	0	0	0	3,485,000	3,487,227
2035-2039	0	0	0	0	4,125,000	2,835,014
2040-2044	0	0	0	0	4,965,000	1,974,519
2045-2049	0	0	0	0	6,015,000	890,500
2050	0	0	0	0	1,350,000	27,000
Total	\$ 114,728	\$ 815,272	\$ 2,795,000	\$ 375,482	\$ 30,275,728	\$ 23,290,659

Ashland City School District
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For the Fiscal Year Ended June 30, 2014

Note 13 - Jointly Governed Organization

The Midland Council of Governments dba/Tri-County Computer Services Association is organized under Chapter 167 of the Ohio Revised Code. The Tri-County Computer Services Association (TCCSA) is a jointly governed organization. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts in Ashland, Holmes, Medina and Wayne counties. TCCSA is governed by representatives from each of the participating public school districts served by TCCSA. TCCSA is recognized as one of twenty-three regional Information Technology Centers (ITC) as defined by the Ohio Department of Education. Each of the participating districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained by contacting the Executive Director at the Tri-County Computer Services Association located at 2125 Eagle Pass, Wooster, OH 44691.

Note 14 – Fund Balance

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

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

	General	Classroom Facilities Fund	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Monies	\$ 17,637	\$ 0	\$ 0	\$ 17,637
Restricted for:				
Debt Service	0	0	1,516,185	1,516,185
Capital Outlay	0	25,453,472	4,312,724	29,766,196
Extracurricular Activities	0	0	277,710	277,710
State and Federal Programs	0	0	63,531	63,531
Other Purposes	0	0	260,092	260,092
Total Restricted	<u>0</u>	<u>25,453,472</u>	<u>6,430,242</u>	<u>31,883,714</u>
Assigned for:				
Encumbrances:				
Instruction	20,808	0	0	20,808
Support Services	112,540	0	0	112,540
Extracurricular Activities	4,060	0	0	4,060
Capital Outlay	2,960	0	0	2,960
Subsequent Year Appropriations	32,436	0	0	32,436
Total Assigned	<u>172,804</u>	<u>0</u>	<u>0</u>	<u>172,804</u>
Unassigned	5,250,671	0	(235,754)	5,014,917
<i>Total Fund Balances</i>	<u>\$ 5,441,112</u>	<u>\$ 25,453,472</u>	<u>\$ 6,194,488</u>	<u>\$ 37,089,072</u>

Ashland City School District
Ashland County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 15 - Set-Asides

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

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

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2013	\$ 0
Current Year Set-aside Requirement	555,348
Current Year Offsets	(705,418)
Totals	\$ (150,070)
Balance Carried Forward to Fiscal Year 2015	\$ 0
Set-aside Reserve Balance as of June 30, 2014	\$ 0

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

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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.

B. Litigation

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

C. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$140,368 in the general fund, \$21,845,458 in the classroom facilities fund and \$1,712,296 in the non-major governmental funds.

Ashland City School District
Ashland County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

D. Contractual Commitments

As of June 30, 2014, the School District had contractual commitments for the Ohio Facility Construction Commission project:

	Contractual Commitment	Expended	Balance 6/30/2014
Ohio Facility Construction Commission Project	\$26,065,601	\$5,741,246	\$20,324,355

Note 17 - Interfund Balances

Interfund balances at June 30, 2014 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General	\$ 14,286	\$ 0
Other Governmental Fund:		
Food Service	0	14,286
Total	\$ 14,286	\$ 14,286

The primary purpose of the interfund loans is to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received. All interfund loans are expected to be repaid within one year.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non - Cash Assistance (Food Distribution):				
National School Lunch Program	10.555		\$ 61,827	\$ 61,827
Cash Assistance:				
School Breakfast Program	10.553		205,824	205,824
National School Lunch Program	10.555		610,649	610,649
Cash Assistance Subtotal:			<u>816,473</u>	<u>816,473</u>
Total Child Nutrition Cluster			<u>878,300</u>	<u>878,300</u>
 Fruit and Vegetable Program	 10.582		 400	 400
Total U.S. Department of Agriculture			<u>878,700</u>	<u>878,700</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010		1,290,863	1,279,425
Special Education_Grants to States	84.027		547,958	569,343
Improving Teacher Quality State Grants	84.367		180,675	170,475
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395		4,550	-
Rural and Low-Income	84.358		51,455	59,402
Total Passed Through Ohio Department of Education			<u>2,075,501</u>	<u>2,078,645</u>
Direct Awards				
Ashland Fitness Technology Based Education Revolution Initiative - Title VD	84.215F	Q215F100260-2012	54,612	48,209
Total Direct Awards			<u>54,612</u>	<u>48,209</u>
Total U.S. Department of Education			<u>2,130,113</u>	<u>2,126,854</u>
Total			<u>\$ 3,008,813</u>	<u>\$ 3,005,554</u>

The accompanying notes are an integral part of this schedule.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Ashland City School District
Ashland County
416 Arthur Street
Ashland, Ohio 44805

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 the Ashland City School District, Ashland County, Ohio (the School District) as of and for the year ended June 30, 2014, 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 February 20, 2015, wherein we noted the 2013 financial statements have been restated to correct a misstatement.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2015



Dave Yost • Auditor of State

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

Ashland City School District
Ashland County
416 Arthur Street
Ashland, Ohio 44805

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Ashland City School District's, Ashland County, Ohio (the School District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Ashland City School District, Ashland County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002. These findings did not require us to modify our compliance opinion on each major federal program.

The School District's responses to our noncompliance findings are described in the accompanying corrective action plan. We did not audit the School District's responses and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

The School District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 20, 2015

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**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010 Title I Grants to Local Educational Agencies CFDA # 84.027 Special Education Grants to States
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(CONTINUED)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Federal Filing

Finding Number	2014-001
CFDA Title and Number	CFDA # 84.010 Title I Grants to Local Educational Agencies CFDA # 84.027 Special Education Grants to States
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section .200(b) provides that a non-federal entity that expends \$500,000 or more in a year in federal awards shall have a single audit conducted as discussed in the Circular. Section .105 defines such entities as “auditees”. **Section .300(a)** states, an auditee shall “Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency, and name of the pass-through entity.”

Section .300(e) further states, an auditee shall “Ensure that the audits required by this part are properly performed and submitted when due.” **Section .320(a)** provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The School District expended in excess of \$500,000 in federal awards during the fiscal year ended June 30, 2013; however, the School District did not file their report with the Federal Audit Clearinghouse until June 16, 2014, which is past the March 31 filing deadline.

We recommend the School District develop procedures for timely submission of their A-133 reporting package.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(CONTINUED)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)

Title I - Period of Availability

Finding Number	2014-002
CFDA Title and Number	Title I Grants to Local Educational Agencies, CFDA #84.010
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost - Noncompliance/Material Weakness

34 C.F.R. § 74.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Secretary.

The Ohio Department of Education (ODE) Continuous Comprehensive Improvement Planning (CCIP) Competitive Application for the Title I grant defined the available period as July 1 to June 30, of the grant year. ODE Federal Fiscal Report Procedures #1 states that obligations must be liquidated prior to submitting the Final Expenditure Report, which must be filed no later than 90 days after the end of the project period.

The School District charged non-payroll related costs to the 2013 Title I grant which were liquidated prior to September 30, 2013, but were obligated after June 30, 2013, in the amount of \$11,303.

Total questioned costs for expenditures obligated outside the period of availability are \$11,303 of the School District's \$1,279,425 spent on the Title I program during fiscal year 2014.

We recommend the School District use grant funds only for expenditures obligated during the period of availability. We further recommend the School District implement procedures to ensure costs charged to its grant awards result from obligations incurred during the funding period and are liquidated by the liquidation date.

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	We will work with the Auditors to ensure timely filing with the Federal Audit Clearinghouse	February 19, 2015	Gina Deppert, Treasurer
2014-002	The School District has implemented an automated requisition approval system called R.A.M. The approval system contains an electronic signature process. This newly implemented system will enhance the approval process, diminishing the potential error margin. The Curriculum Director, will review all requisitions electronically for federal grant purchases, and the system will then require the Treasurer, and Superintendent to approve.	July 1, 2014	Mrs. Linda McKibben, Curriculum Director

**ASHLAND CITY SCHOOL DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Public Money Illegally Expended – Finding For Recovery – Repaid Under Audit	Yes	
2013-002	Title I – Procurement and Suspension and Debarment – Noncompliance/Material Weakness	Yes	
2013-003	Title I - Allowable Costs – Noncompliance/Significant Deficiency	Yes	

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ASHLAND CITY SCHOOL DISTRICT

ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2015**