



Dave Yost • Auditor of State



**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

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ASHTABULA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Ashtabula Area City School District  
Ashtabula County  
2630 West 13<sup>th</sup> Street  
Ashtabula, Ohio 44004

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 Ashtabula Area City School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 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 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 Ashtabula Area City School District, Ashtabula 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.

**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 Information*

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

The Federal Awards Receipts and Expenditures Schedule 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 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 this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015, on our consideration of the 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 District's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 25, 2015

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# Ashtabula Area City School District

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2014

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

### Financial Highlights

Key financial highlights for the fiscal year 2014 are as follows:

- Total net position of governmental activities increased \$3,332,461, which represents a 3.55 percent increase from 2013.
- Total general revenues equaled \$42,703,173 or 89 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$5,413,411 or 11 percent of total revenues.
- Total assets of governmental activities increased by \$2,417,789, primarily due to increases in restricted cash from the prior year.
- The District had \$44,784,123 in expenses related to governmental activities; \$5,413,411 of these expenses was offset by program specific charges for services, operating grants and contributions.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$16,405,287, an increase of \$5,720,906 in comparison with the prior year.
- Outstanding debt was decreased from a balance of \$32,264,958 in 2013 to \$30,709,958 in 2014; and the accretion balance on the capital asset appreciation bonds increased from \$427,798 to \$712,997.

### Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an 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 District, presenting both an aggregate view of the 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 and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund.

# Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2014

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

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

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

These two statements report the District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the 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 District's property tax base, current property tax laws in Ohio that result in restricting revenue growth, facility conditions, required educational program and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, all of the District's activities are classified as governmental. All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services, and extracurricular activities.

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

### *Fund Financial Statements*

The presentation of the District's major funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Debt Service Fund, Permanent Improvement Fund, Construction Fund, and Classroom Facilities Fund.

***Governmental Funds:*** Most of the 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 known as 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 District's general government operations and the basic services it provides. Governmental fund information helps to 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.

# Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2014

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## The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The District's total net position increased from a year ago, as shown in Table 1. The District was able to maintain its financial health while addressing stagnant revenues, slow federal reimbursements, and rising costs.

Table 1 provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013:

**Table 1**  
**Net Position**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Assets:		
Current assets	\$ 38,270,581	\$ 33,786,290
Capital assets	<u>109,082,811</u>	<u>111,149,313</u>
Total assets	<u>147,353,392</u>	<u>144,935,603</u>
Deferred outflows of resources	<u>1,037,416</u>	<u>1,100,290</u>
Liabilities:		
Current liabilities	4,667,064	5,194,867
Long term liabilities:		
Due within one year	1,802,761	1,879,727
Due in more than one year	<u>33,701,702</u>	<u>34,951,964</u>
Total liabilities	<u>40,171,527</u>	<u>42,026,558</u>
Deferred inflows of resources	<u>10,963,975</u>	<u>10,086,490</u>
Net position:		
Net investment in capital assets	77,788,539	78,264,628
Restricted	13,584,989	10,777,297
Unrestricted	<u>5,881,778</u>	<u>4,880,920</u>
Total net position	\$ <u><u>97,255,306</u></u>	\$ <u><u>93,922,845</u></u>

Total assets increased by \$2,417,789 due to increases in restricted cash from the prior year.

Total liabilities decreased \$1,855,031 primarily due to the repayment of debt. In order to further understand what makes up the changes in net position for the current and previous year, the following table gives readers further details regarding the results of activities for each year.

# Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2014

**Table 2**  
**Changes in Net Position**

	Governmental Activities 2014	Governmental Activities 2013
Revenues:		
Program revenues:		
Charges for services	\$ 780,733	\$ 736,977
Operating grants and contributions	<u>4,632,678</u>	<u>5,951,615</u>
Total program revenues	<u>5,413,411</u>	<u>6,688,592</u>
General revenues:		
Property taxes	12,273,653	9,379,071
Grants and entitlements	26,476,963	26,304,591
Investment earnings	106,804	27,905
Net decrease in fair value of investments	-	(78,525)
Miscellaneous revenue	681,527	285,362
Gain on sale of assets	104,226	61,372
Insurance proceeds	<u>3,060,000</u>	<u>-</u>
Total general revenues	<u>42,703,173</u>	<u>35,979,776</u>
Total revenues	<u>48,116,584</u>	<u>42,668,368</u>
Program expenses:		
Instruction:		
Regular education	17,536,859	17,666,065
Special education	8,836,463	6,313,287
Vocational education	113,301	193,669
Other	461,897	858,350
Support services	13,161,892	14,217,868
Operation of non-instructional services	1,840,256	1,800,837
Extracurricular activities	810,887	782,460
Facilities acquisition and construction	431,827	1,219,658
Interest and fiscal charges	<u>1,590,741</u>	<u>1,331,228</u>
Total program expenses	<u>44,784,123</u>	<u>44,383,422</u>
Change in net position	3,332,461	(1,715,054)
Net position at beginning of year	<u>93,922,845</u>	<u>95,637,899</u>
Net position at end of year	<u>\$ 97,255,306</u>	<u>\$ 93,922,845</u>

# Ashtabula Area City School District

Management’s Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2014

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## **Governmental Activities**

Net position of the District’s governmental activities increased by \$3,332,461. Program revenues of \$5,413,411 and general revenues of \$42,703,173 were sufficient to offset total governmental expenses of \$44,784,123. The District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. These revenue sources represent 90.16 percent of total governmental revenue.

Instruction and support services comprise 60.17 and 29.39 percent of governmental program expenses, respectively. Interest expense was 3.55 percent of total expenses. Interest expense was attributable to the outstanding bonds and notes for various projects. Overall, governmental program expenses increased \$400,701, due primarily to additional expenditures spent for special education services provided.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2013</u>
Program expenses:				
Instruction	\$ 26,948,520	\$ 23,393,888	\$ 25,031,371	\$ 20,496,632
Support services:				
Pupil	2,243,801	2,243,801	2,088,856	2,088,856
Instructional staff	745,156	745,156	2,275,794	2,275,794
Board of education	205,902	205,902	239,190	239,190
Administration	2,539,571	2,539,571	2,342,488	2,342,488
Fiscal	880,702	880,702	807,062	807,062
Business	659,092	659,092	614,281	614,281
Operation and maintenance of plant	3,689,657	3,607,204	3,606,910	3,524,457
Pupil transportation	2,095,415	2,071,409	2,119,315	2,107,929
Central	102,596	88,422	123,972	111,146
Operation of non-instructional services	1,840,256	530,384	1,800,837	127,790
Extracurricular activities	810,887	382,613	782,460	408,319
Facilities acquisition and construction	431,827	431,827	1,219,658	1,219,658
Interest and fiscal charges	<u>1,590,741</u>	<u>1,590,741</u>	<u>1,331,228</u>	<u>1,331,228</u>
Total expenses	\$ <u><u>44,784,123</u></u>	\$ <u><u>39,370,712</u></u>	\$ <u><u>44,383,422</u></u>	\$ <u><u>37,694,830</u></u>

The dependence upon tax and grant entitlements revenues during fiscal year 2014 for governmental activities is apparent, as 90.16 percent of 2014 governmental activities are supported through taxes and other general revenues. The District’s taxpayers, as a whole, provide substantial financial support through real estate property taxes for the District and its students.

# Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2014

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## The District's Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$45,524,193, expenditures of \$42,967,513, and net other financing sources and uses of \$3,164,226. The net change in fund balance for the year was most significant in the Construction Fund, where the fund balance increased by \$3,036,658 due to insurance proceeds received in the current year.

## General Fund Budget Information

The 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 2014, the District amended its General Fund budget periodically as defined by individual team needs.

For the General Fund, final budget basis revenue, including other financing sources was \$1,666,357 higher than the original budget estimates of \$34,135,294. The District continues the conservative practice of estimating low in the intergovernmental revenue and interest revenue areas. The final appropriations, including other financing uses of \$33,903,505 were sufficient to meet the expenditures and other financing uses for the year, which ended up at \$33,903,459.

## Capital Assets

At the end of fiscal 2014 the District had \$109,082,811 invested in land, land improvements, buildings, equipment, and vehicles. Table 4 shows fiscal 2014 balances compared to 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 1,741,522	\$ 1,747,472
Land improvements	550,059	353,570
Buildings	104,332,118	106,194,127
Furniture and equipment	1,365,691	1,485,231
Vehicles	<u>1,093,421</u>	<u>1,368,913</u>
Totals	\$ <u>109,082,811</u>	\$ <u>111,149,313</u>

The majority of the increase was the result of the continuation of the capital improvement and construction program.

Additional information concerning the District's capital assets can be found in Note 9 to the financial statements.

# Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2014

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## Debt

At June 30, 2014, the District had bonds outstanding. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2014	2013
General obligation bonds:		
Serial bonds	\$ 30,355,000	\$ 31,910,000
Capital appreciation bonds	354,958	354,958
Accretion on capital appreciation bonds	<u>712,997</u>	<u>427,798</u>
Total	\$ <u>31,422,955</u>	\$ <u>32,692,756</u>

Additional information concerning the District's bonds can be found in Note 10 to the financial statements.

## Current Financial Related Activities

The financial future of the District is not without its challenges. These challenges stem from issues that are local and at the State level. At the local level, the taxpayers must approve additional levies to pay for unfunded mandates as well as continue the programs they have come to expect as normal operations. Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

The District is dependent on local taxpayers. The District passed a 5 mill continuing levy in August of 2003. Additionally, the District placed a renewal 5 year, 2.5 mill general permanent improvement levy on the November 2014 ballot which the community approved. The District is very appreciative of the community's support and is dedicated to stretching these funds for years into the future. The district will start receiving a portion of the funds from this new levy in January 2016 (fiscal year 2016).

## Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, Ashtabula Area City School District, 2630 West 13<sup>th</sup> Street, Ashtabula, Ohio 44004, or telephone (440) 992-1200.

# Ashtabula Area City School District

## Statement of Net Position

June 30, 2014

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	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 18,627,308
Restricted cash	3,688,853
Accounts receivable	149,538
Intergovernmental receivable	848,510
Materials and supplies inventory	113,328
Property taxes receivable	14,841,425
Interfund receivable	1,619
Non-depreciable capital assets	1,741,522
Depreciable capital assets, net	<u>107,341,289</u>
Total assets	<u>147,353,392</u>
Deferred outflows of resources:	
Deferred charges on refunding	<u>1,037,416</u>
Liabilities:	
Accounts payable	271,918
Accrued wages and benefits	2,593,150
Accrued interest payable	83,507
Matured compensated absences payable	60,564
Intergovernmental payable	643,025
Claims payable	1,014,900
Long-term liabilities:	
Due within one year	1,802,761
Due in more than one year	<u>33,701,702</u>
Total liabilities	<u>40,171,527</u>
Deferred inflows of resources:	
Property taxes	<u>10,963,975</u>
Net Position:	
Net investment in capital assets	77,788,539
Restricted for:	
Capital projects	7,616,038
Debt service	3,215,018
Other purposes	2,753,933
Unrestricted	<u>5,881,778</u>
Total net position	<u>\$ 97,255,306</u>

The accompanying notes are an integral part of the financial statements.



# Ashtabula Area City School District

## Statement of Activities

For the Fiscal Year Ended June 30, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular education	\$ 17,536,859	\$ 331,866	\$ 642,148	\$ (16,562,845)
Special education	8,836,463	-	2,580,618	(6,255,845)
Vocational education	113,301	-	-	(113,301)
Other instruction	461,897	-	-	(461,897)
Support services:				
Pupil	2,243,801	-	-	(2,243,801)
Instructional staff	745,156	-	-	(745,156)
Board of education	205,902	-	-	(205,902)
Administration	2,539,571	-	-	(2,539,571)
Fiscal	880,702	-	-	(880,702)
Business	659,092	-	-	(659,092)
Operation and maintenance of plant	3,689,657	-	82,453	(3,607,204)
Pupil transportation	2,095,415	24,006	-	(2,071,409)
Central	102,596	-	14,174	(88,422)
Operation of non-instructional services:				
Food service operations	1,840,256	206,797	1,103,075	(530,384)
Extracurricular activities	810,887	218,064	210,210	(382,613)
Facilities acquisitions and construction services	431,827	-	-	(431,827)
Interest and fiscal charges	1,590,741	-	-	(1,590,741)
Total governmental activities	<u>\$ 44,784,123</u>	<u>\$ 780,733</u>	<u>\$ 4,632,678</u>	<u>(39,370,712)</u>

### General revenues:

#### Property taxes levies for:

General purpose	8,741,583
Debt service	2,227,358
Capital outlay	1,126,373
Capital maintenance	178,339

#### Grant and entitlements not restricted to specific programs

26,476,963

#### Investment income

Investment earnings	106,804
Miscellaneous revenue	681,527
Gain on sale of assets	104,226
Insurance proceeds	<u>3,060,000</u>

Total general revenues 42,703,173

Change in net position 3,332,461

Net position at beginning of year 93,922,845

Net position at end of year \$ 97,255,306

The accompanying notes are an integral part of these financial statements.

# Ashtabula Area City School District

## Balance Sheet Governmental Funds

June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Construction Fund</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 3,895,756	\$ 3,304,531	\$ 3,405,305	\$ -
Restricted cash	-	-	-	3,448,855
Taxes receivable	10,600,454	2,672,900	1,357,480	-
Accounts receivable	149,538	-	-	-
Intergovernmental receivable	267,838	-	-	-
Interfund receivable	291,989	-	-	-
Materials and supplies inventory	75,572	-	-	-
Total assets	<u>\$ 15,281,147</u>	<u>\$ 5,977,431</u>	<u>\$ 4,762,785</u>	<u>\$ 3,448,855</u>
<b>Liabilities, deferred inflows of resources and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 180,522	\$ -	\$ 6,649	\$ -
Accrued wages and benefits	2,252,742	-	-	-
Matured compensated absences payable	60,564	-	-	-
Intergovernmental payable	481,137	-	-	-
Interfund payable	-	-	-	-
Total liabilities	<u>2,974,965</u>	<u>-</u>	<u>6,649</u>	<u>-</u>
<b>Deferred inflows of resources:</b>				
Property taxes	7,842,859	1,965,909	1,000,284	-
Unavailable revenue	<u>1,503,834</u>	<u>371,051</u>	<u>189,554</u>	<u>-</u>
Total deferred inflows of resources	<u>9,346,693</u>	<u>2,336,960</u>	<u>1,189,838</u>	<u>-</u>
<b>Fund balances:</b>				
Nonspendable	75,572	-	-	-
Restricted	11,000	3,640,471	3,566,298	3,448,855
Committed	-	-	-	-
Assigned	416,281	-	-	-
Unassigned	<u>2,456,636</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,959,489</u>	<u>3,640,471</u>	<u>3,566,298</u>	<u>3,448,855</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,281,147</u>	<u>\$ 5,977,431</u>	<u>\$ 4,762,785</u>	<u>\$ 3,448,855</u>

The accompanying notes are an integral part of the financial statements.

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<u>Classroom Facilities Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,941,570	\$ 13,547,162
239,998	-	3,688,853
-	210,591	14,841,425
-	-	149,538
-	458,130	725,968
-	-	291,989
-	37,756	113,328
\$ <u>239,998</u>	\$ <u>3,648,047</u>	\$ <u>33,358,263</u>
\$ -	\$ 84,747	\$ 271,918
-	340,408	2,593,150
-	-	60,564
-	48,913	530,050
-	290,370	290,370
<u>-</u>	<u>764,438</u>	<u>3,746,052</u>
-	154,923	10,963,975
-	178,510	2,242,949
<u>-</u>	<u>333,433</u>	<u>13,206,924</u>
-	48,264	123,836
239,998	2,708,140	13,614,762
-	171,333	171,333
-	-	416,281
-	(377,561)	2,079,075
<u>239,998</u>	<u>2,550,176</u>	<u>16,405,287</u>
\$ <u>239,998</u>	\$ <u>3,648,047</u>	\$ <u>33,358,263</u>

The accompanying notes are an integral part of the financial statements.

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# Ashtabula Area City School District

## Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

June 30, 2014

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Total governmental fund balances \$ 16,405,287

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 109,082,811

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Delinquent property taxes	\$ 2,093,675
Grants	<u>149,274</u>

Total 2,242,949

Internal Service Funds are used by management to charge the cost of health insurance and workers' compensation premiums to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position. 4,074,813

Premiums received from the sale of general obligation bonds are considered financial resources and reported as revenue in the funds but deferred in the Statement of Net Position. (1,621,730)

Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.

General obligation serial bonds	(30,355,000)
Capital appreciation bonds	(354,958)
Bond accretion	(712,997)
Compensated absences payable	(2,459,778)
Accrued interest payable	<u>(83,507)</u>

Total (33,966,240)

Deferred charges on refunding related to the issuance of long-term refunding debt that will be amortized over the life of the debt on the statement of net position. 1,037,416

Net position of governmental activities \$ 97,255,306

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Construction Fund</u>
Revenues:				
Taxes	\$ 8,846,804	\$ 2,275,473	\$ 1,149,783	\$ -
Intergovernmental	25,498,425	507,827	262,274	-
Tuition and fees	355,772	-	-	-
Investment earnings	13,226	-	-	189
Extracurricular activities	133,409	-	-	-
Miscellaneous revenue	658,712	3,477	1,744	-
Charges for services	-	-	-	-
Total revenues	<u>35,506,348</u>	<u>2,786,777</u>	<u>1,413,801</u>	<u>189</u>
Expenditures:				
Current:				
Instruction:				
Regular education	15,401,927	-	168,577	-
Special education	6,141,994	-	746	-
Vocational education	112,737	-	-	-
Other instruction	389,841	-	-	-
Support services:				
Pupil	1,906,597	-	-	-
Instructional staff	56,433	-	3,824	-
Board of education	205,992	-	-	-
Administration	2,067,193	-	30,344	-
Fiscal	777,142	50,186	30,394	-
Business	638,899	-	10,471	-
Operation and maintenance of plant	3,388,506	-	20,928	-
Pupil transportation	1,795,961	-	3,317	-
Central	79,596	-	978	-
Food service operations	-	-	-	-
Extracurricular activities	311,698	-	-	-
Capital outlay	241	-	509,076	23,531
Debt services:				
Principal	-	1,555,000	-	-
Interest and fiscal charges	-	1,017,631	-	-
Total expenditures	<u>33,274,757</u>	<u>2,622,817</u>	<u>778,655</u>	<u>23,531</u>
Excess of revenues over (under) expenditures	2,231,591	163,960	635,146	(23,342)
Other financing sources:				
Sale of capital assets	65	-	-	-
Insurance proceeds	-	-	-	3,060,000
Total other financing sources	<u>65</u>	<u>-</u>	<u>-</u>	<u>3,060,000</u>
Net change in fund balance	2,231,656	163,960	635,146	3,036,658
Fund balance at beginning of year	<u>727,833</u>	<u>3,476,511</u>	<u>2,931,152</u>	<u>412,197</u>
Fund balance at end of year	<u>\$ 2,959,489</u>	<u>\$ 3,640,471</u>	<u>\$ 3,566,298</u>	<u>\$ 3,448,855</u>

The accompanying notes are an integral part of the financial statements.

Classroom Facilities Fund	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 178,339	\$ 12,450,399
-	5,329,401	31,597,927
-	100	355,872
-	192	13,607
-	84,655	218,064
-	17,594	681,527
-	<u>206,797</u>	<u>206,797</u>
-	<u>5,817,078</u>	<u>45,524,193</u>
-	445,383	16,015,887
-	1,987,576	8,130,316
-	-	112,737
-	120,975	510,816
-	281,324	2,187,921
-	744,692	804,949
-	-	205,992
-	241,078	2,338,615
-	4,523	862,245
-	-	649,370
-	177,565	3,586,999
-	5,595	1,804,873
-	-	80,574
-	1,692,910	1,692,910
-	378,418	690,116
147,714	40,000	720,562
-	-	1,555,000
-	-	<u>1,017,631</u>
<u>147,714</u>	<u>6,120,039</u>	<u>42,967,513</u>
(147,714)	(302,961)	2,556,680
-	104,161	104,226
-	-	<u>3,060,000</u>
-	<u>104,161</u>	<u>3,164,226</u>
(147,714)	(198,800)	5,720,906
<u>387,712</u>	<u>2,748,976</u>	<u>10,684,381</u>
\$ <u>239,998</u>	\$ <u>2,550,176</u>	\$ <u>16,405,287</u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Reconciliation of 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

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Net Change in Fund Balances – Total governmental funds \$ 5,720,906

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the capital outlay exceeds depreciation in the current period. (2,038,452)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from that sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets. (28,050)

Property tax and grant revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ (176,746)	
Intergovernmental	(488,286)	
Total	(665,032)	(665,032)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

General obligation bonds	1,555,000	
Compensated absences	(40,860)	
Total	1,514,140	1,514,140

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.

Accretion on capital appreciation bonds	(285,199)	
Accrued interest on debt	2,592	
Unamortized issuance costs	(325,916)	
Amortization of premium	98,287	
Amortization of loss on refunding	(62,874)	
Total	(573,110)	(573,110)

The Internal Service Funds used by management to charge the costs of insurance to individual funds are not reported in the Statement of Activities. Governmental fund expenditures and related Internal Service Fund revenues are eliminated. The net revenue (expense) of Internal Service Funds is allocated among the governmental activities. (597,941)

Change in net position of governmental activities \$ 3,332,461

The accompanying notes are an integral part of the financial statements.



# Ashtabula Area City School District

## Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 10,138,827	\$ 10,275,035	\$ 9,292,601	\$ (982,434)
Tuition and fees	318,380	338,682	351,754	13,072
Earnings on investments	11,970	12,734	13,226	492
Extracurricular activities	119,304	126,911	131,810	4,899
Miscellaneous revenue	541,413	575,936	598,167	22,231
Intergovernmental	22,961,160	24,425,293	25,368,089	942,796
Total revenues	<u>34,091,054</u>	<u>35,754,591</u>	<u>35,755,647</u>	<u>1,056</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular education	16,158,158	15,531,400	15,531,379	21
Special education	6,278,700	6,035,155	6,035,147	8
Vocational education	132,687	127,540	127,540	-
Other instruction	418,008	401,794	401,793	1
Support services:				
Pupil	2,024,175	1,945,660	1,945,657	3
Instructional staff	286,117	275,018	275,018	-
Board of education	219,386	210,876	210,876	-
Administration	2,116,701	2,034,597	2,034,594	3
Fiscal	803,647	772,474	772,473	1
Business	710,962	683,385	683,384	1
Operation and maintenance of plant	3,470,691	3,336,067	3,336,062	5
Pupil transportation	1,974,173	1,897,597	1,897,594	3
Central	92,681	89,086	89,086	-
Extracurricular activities	318,768	306,403	306,403	-
Capital outlay	251	241	241	-
Total expenditures	<u>35,005,105</u>	<u>33,647,293</u>	<u>33,647,247</u>	<u>46</u>
Excess of revenues over (under) expenditures	<u>(914,051)</u>	<u>2,107,298</u>	<u>2,108,400</u>	<u>1,102</u>

Continued

The accompanying notes are an integral part of the financial statements.

## Ashtabula Area City School District

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP Budgetary Basis) and Actual – General Fund (continued)

For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Sale of capital assets	59	62	65	3
Advances – in	44,181	46,998	48,812	1,814
Advances – out	<u>(266,552)</u>	<u>(256,212)</u>	<u>(256,212)</u>	<u>-</u>
Total other financing sources (uses)	<u>(222,312)</u>	<u>(209,152)</u>	<u>(207,335)</u>	<u>1,817</u>
Net change in fund balance	(1,136,363)	1,898,146	1,901,065	2,919
Fund balance at beginning of year	1,528,717	1,528,717	1,528,717	-
Prior year encumbrances appropriated	<u>155,205</u>	<u>155,205</u>	<u>155,205</u>	<u>-</u>
Fund balance at end of year	\$ <u>547,559</u>	\$ <u>3,582,068</u>	\$ <u>3,584,987</u>	\$ <u>2,919</u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Statement of Fund Net Position Proprietary Funds

June 30, 2014

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	<u>Governmental Activities Internal Service Funds</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 5,080,146
Intergovernmental receivable	<u>122,542</u>
Total assets	<u>5,202,688</u>
Liabilities:	
Intergovernmental payable	112,975
Claims payable	<u>1,014,900</u>
Total liabilities	<u>1,127,875</u>
Net position:	
Unrestricted net position	\$ <u>4,074,813</u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds

For the Fiscal Year Ended June 30, 2014

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	<u>Governmental Activities Internal Service Funds</u>
Operating revenues:	
Charges for services	\$ 5,162,447
Miscellaneous	<u>285,982</u>
Total operating revenues	<u>5,448,429</u>
Operating expenses:	
Claims	6,084,806
Purchased services	<u>54,761</u>
Total operating expenses	<u>6,139,567</u>
Operating loss	(691,138)
Non-operating revenues:	
Earnings on investments	<u>93,197</u>
Change in net position	(597,941)
Total net position at beginning of year	<u>4,672,754</u>
Total net position at end of year	\$ <u>4,074,813</u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2014

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	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from other funds	\$ 5,448,429
Cash payments for claims and contractual services	<u>(6,251,102)</u>
Net cash used for operating activities	(802,673)
Cash flows from investing activities:	
Earnings on investments	<u>93,197</u>
Net decrease in cash and cash equivalents	(709,476)
Cash and cash equivalents at beginning of year	<u>5,789,622</u>
Cash and cash equivalents at end of year	\$ <u><u>5,080,146</u></u>
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (691,138)
Adjustments:	
Change in assets:	
Increase in intergovernmental receivable	(122,542)
Changes in liabilities:	
Decrease in intergovernmental payable	(1,893)
Increase in claims payable	<u>12,900</u>
Net cash used for operating activities	\$ <u><u>(802,673)</u></u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Statement of Fiduciary Net Position Fiduciary Funds

June 30, 2014

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	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ <u>120,725</u>	\$ <u>41,901</u>
Liabilities:		
Interfund payable	-	1,619
Due to students	<u>-</u>	<u>40,282</u>
Total liabilities	-	& <u>41,901</u>
Net position:		
Held in trust for scholarships	\$ <u>120,725</u>	

The accompanying notes are an integral part of the financial statements.

## Ashtabula Area City School District

### Statement of Changes in Fiduciary Net Position Fiduciary Funds

For the Fiscal Year Ended June 30, 2014

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	<u>Private Purpose Trust Funds</u>
Additions:	
Investment earnings	\$ 12
Miscellaneous	<u>14,740</u>
Total additions	<u>14,752</u>
Deductions:	
Vocational education	250
Extracurricular activities	<u>20,050</u>
Total deductions	<u>20,300</u>
Change in net position	(5,548)
Total net position at beginning of year	<u>126,273</u>
Total net position at end of year	\$ <u><u>120,725</u></u>

The accompanying notes are an integral part of the financial statements.

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# Ashtabula Area City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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## **Note 1: Description of District**

The Ashtabula Area City School District (the “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 District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District as mandated by State and/or Federal agencies. The District is defined by Section 3311.02 of the Ohio Revised Code. Average daily membership (ADM) of the District was 3,895 (this includes open enrollment and online students). The District employed 23 administrative and supervisory personnel, 248 certified employees and 135 non-certificated employees.

## **Note 2: Summary of Significant Accounting Policies**

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

### **A. Reporting Entity**

The 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 District consists of all funds, departments and agencies that are not legally separate from the District. For Ashtabula Area City School District, this includes the agencies and departments that provide the following services: general operations, food service, and student related activities of the District.

The District provides regular, vocational, and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities, and non-programmed services.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **A. Reporting Entity (continued)**

#### *Jointly Governed Organizations*

##### *Northeast Ohio Management Information Network (NEOMIN)*

NEOMIN is a jointly governed organization among 30 School Districts in Trumbull and Ashtabula Counties. 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 among member Districts. Each of the Districts supports NEOMIN based upon a per pupil charge. The District contributed \$67,954 to NEOMIN during fiscal year 2014.

Superintendents of the participating School Districts are eligible to be voting members of the Governing Board which consists of 10 members: the Trumbull and Ashtabula County Educational Service Center's Superintendents (permanent members), three Superintendents from Ashtabula County School Districts, three Superintendents from Trumbull County School Districts, and a Treasurer from each county. The degree of control exercised by any participating School District is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

##### *State Support Team (SST) - Region 5*

The SST is an Educational Regional Service System whose mission is to provide regional districts with leadership, technical assistance and high quality professional development in the service areas of school improvement, literacy, early learning and school readiness and special education compliance. The 16 State Support Teams are responsible for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using a differentiated technical assistance structure of support based upon need. The teams work through the Office of Exceptional Children, Office of Literacy, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The SSTs include staff and services formerly provided by the Special Education Regional Resources Centers (SERRCs) and the Regional School Improvement Teams (RSITs). Each School District's degree of control is limited to its representation on the Governing Board. The SST is its own budgeting and taxing authority. The School District made no contributions for fiscal year 2014.

House Bill 115 (HB 115) establishes the Educational Regional Service System (ERSS) and requires the creation of a coordinated, integrated and aligned system to support state and school districts efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of education services without reducing the availability of the services needed by school districts and school. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Youngstown, Ohio 44512.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **A. Reporting Entity (continued)**

#### *Jointly Governed Organizations*

##### *Ashtabula County Technical & Career Center*

The Ashtabula County Technical & Career Center (A-Tech) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The A-Tech is operated under the direction of a Board consisting of representatives from some of the participating School Districts' elected boards. Each School District's degree of control is limited to its representation on the Governing Board. The Board is its own budgeting and taxing authority. The School District contributed \$148 to the Center during the fiscal year. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

#### *Related Organizations*

##### *Non-public schools*

Within the District's boundaries, Sts. John and Paul School K-12, is operated through the Youngstown Catholic Diocese. Current legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the District, as directed by the schools. The accounting for these state monies is reflected as a special revenue fund of the District.

##### *Harbor-Topky Memorial Library*

The Harbor-Topky Memorial Library is a separate body politic. The Board of Education appoints new Trustees, by resolution, upon recommendation of the Trustees.

Management believes the financial statements included in this report represent all of the funds over which the District is financially accountable.

### **B. Fund Accounting**

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is divided into separate fund types.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **B. Fund Accounting (continued)**

**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 District's major governmental funds:

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

*Debt Service Fund* – This fund accounts for the collection of property taxes that are used for the payment of principal and interest and fiscal charges on general obligation debt.

*Permanent Improvement Fund* – This fund accounts for the collection of property taxes that are used for acquiring, constructing, or improving permanent improvements.

*Construction Fund* – This fund accounts for note proceeds, grants, and interest revenue to be expended in connection with contracts entered with the Ohio Department of Education for the building and equipping of the new schools.

*Classroom Facilities Fund* – This fund accounts for monies that are received and expended in connection with contracts entered into by the school and the Ohio Department of Education for the building and equipping of the new junior high and elementary schools.

Other governmental funds of the District account for food service operations, grants and other resources, and other capital projects of the District whose use is restricted to a particular purpose.

**Proprietary Funds:** Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's Internal Service Funds.

*Internal Service Funds* – Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis. The Employee Health Insurance Fund accounts for a self-insurance program which provides medical, prescription, dental, and life insurance benefits to the District's employees. The Workers' Compensation Fund accounts for the payment of premiums and claims to be paid to the State workers' compensation agency.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **B. Fund Accounting (continued)**

**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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are private purpose trusts which account for programs that provide assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds are used to account for student activities.

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

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service Fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (e.g., expenses) in total net position.

**Fund Financial Statements:** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and non-major funds are aggregated into a single column. The Internal Service Fund is presented on a separate proprietary fund statement. Fiduciary funds are reported by fund type.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **C. Basis of Presentation and Measurement Focus (continued)**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the Statement of Fund Net 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 assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service funds are charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The private purpose trust funds are reported using the flow of economic resources measurement focus. Agency funds do not report operations; therefore, no measurement focus is needed.

### **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 presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/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 soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year end.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **D. Basis of Accounting (continued)**

Non-exchange transactions, in which the 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 7). 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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from non-exchange 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, grants, interest, tuition, and student fees.

**Unearned Revenue:** Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

**Deferred Outflows/Inflows of Resources:** In addition to assets, the statement of financial position may include a section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**Expenditures/Expenses:** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as intergovernmental revenue.

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.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Tax Budget:** Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ashtabula County Budget Commission for rate determination.

**Estimated Resources:** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014. Prior to year end, the District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

**Appropriations:** Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.



# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **E. Budgetary Process (continued)**

Any revisions that alter the total of any fund appropriations must be approved by the Board of Education. The Board has authorized the Treasurer to allocate appropriations within each function and among object level expenditures.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

The amounts reported as the original budgeted amounts on the budgetary statements 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 on the statements of budgetary comparisons represent the final appropriation amounts passed by the Board during the year.

### **F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the basic financial statements.

During the fiscal year all investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and government bonds. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio'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. Interest revenue credited to the General Fund during the fiscal year amounted to \$13,226. The amount allocated from other funds during fiscal year 2014 amounted to \$6,093.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

### **H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation.

### **I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 on 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 District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in process, are depreciated. Improvements are depreciated over the remaining useful lives of the capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 - 30 years
Buildings	15 - 30 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

### **J. 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 column of the Statement of Net Position.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **K. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

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

Sick leave benefits are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or a class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service funds are reported on the proprietary fund financial statements.

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

### **M. 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 consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources which will be used for athletics, special education and other grants.

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable:* The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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.

*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 District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit these 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 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 District Board of Education.

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

The 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.

### **O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for the health-related insurance program and workers compensation program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the proprietary funds.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **P. 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 and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund activities between governmental funds are eliminated for reporting in the Statement of Activities.

### **Q. 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 basic financial statements and accompanying notes. Actual results may differ from those estimates.

### **R. Deferred Charge on Refunding**

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

### **S. Bond Premiums**

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

### **T. 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 District and that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, the District had neither extraordinary items nor special items.

### **U. Comparative Data/Reclassifications**

Prior year data presented in Management's Discussion and Analysis have been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2013 financial statements in order to conform to the 2014 presentation.

## Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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### **Note 3: Change in Accounting Principle**

For 2014, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections – 2012; and amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, and inflows of resources. The implementation of GASB Statement No. 65 did have an effect on the presentation of the financial statements of the District; however, the implementation did not require any restatements of beginning balances.

GASB Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, GASB Statement No. 54 and GASB Statement No. 62. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

GASB Statement No. 69 establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statements also provides guidance on how to determine the gain or loss on a disposal of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 70 establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The requirements for this Statement are effective for financial statements for periods beginning after June 15, 2014. The District has not determined the impact, if any, that this Statement will have on its financial statements or disclosures.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## Note 4: Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Debt Service Fund	Permanent Improvement Fund	Construction Fund	Classroom Facilities Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable:							
Inventory	\$ 75,572	\$ -	\$ -	\$ -	\$ -	\$ 48,264	\$ 123,836
Restricted for:							
Community activities	-	-	-	-	-	509,430	509,430
Athletics	-	-	-	-	-	68,381	68,381
Auxiliary services	-	-	-	-	-	173,912	173,912
School improvement	-	-	-	-	-	58,379	58,379
English proficiency	-	-	-	-	-	2,935	2,935
Debt service payments	-	3,640,471	-	-	-	-	3,640,471
Improving teacher quality	-	-	-	-	-	22,892	22,892
Other purposes	11,000	-	-	-	-	98,863	109,863
Capital improvements	-	-	3,566,298	3,448,855	239,998	1,773,348	9,028,499
Total restricted	<u>11,000</u>	<u>3,640,471</u>	<u>3,566,298</u>	<u>3,448,855</u>	<u>239,998</u>	<u>2,708,140</u>	<u>13,614,762</u>
Committed to:							
Capital improvements	-	-	-	-	-	171,333	171,333
Assigned to:							
Other purposes	416,281	-	-	-	-	-	416,281
Unassigned (deficit)	<u>2,456,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(377,561)</u>	<u>2,079,075</u>
Total fund balances	<u>\$ 2,959,489</u>	<u>\$ 3,640,471</u>	<u>\$ 3,566,298</u>	<u>\$ 3,448,855</u>	<u>\$ 239,998</u>	<u>\$ 2,550,176</u>	<u>\$ 16,405,287</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 5:            Accountability**

### **A.            Accountability**

The following funds had negative fund balances at June 30, 2014:

Non-major Special Revenue Funds:

Food Services Fund	\$	108,024
Motorcycle Safety and Education Fund		8,640
Public School Preschool		16,568
Race to the Top		64,885
Title VI-B Special Education Fund		179,444

The deficits in the above funds are due to timing differences in accruing revenues and expenditures. The General Fund is liable for any deficit fund balance or negative cash balance in these funds and will provide operating transfers when cash is required, not when accruals occur.

## **Note 6:            Deposits and Investments**

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association.



# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 6: Deposits and Investments (continued)**

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 or repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, 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 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.

## **Deposits**

**Custodial Credit Risk** is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of District funds shall be required to pledge as security for repayment of all public monies.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## Note 6: Deposits and Investments (continued)

At year end, the carrying amount of the District's deposits was \$17,737,126 and the bank balance was \$18,170,909. Of the bank balance, \$6,115,800 was covered by federal depository insurance and \$12,055,109 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the District's name. At fiscal year end, the District had \$125 in cash on hand.

### Investments

Investments are reported at fair value. As of June 30, 2014, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity Date</u>
STAROhio	\$ 1,262,397	Less than 3 months
Federal Home Loan Bank	2,729,866	More than 3 months
Federal Farm Credit Bank	<u>749,273</u>	More than 3 months
Total investments	<u>\$ 4,741,536</u>	

**Interest Rate Risk** arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase to maximize the returns on the excess cash balances consistent with the safety of the monies and the desired liquidity of the investments.

**Credit Risk** is addressed by the District's investment policy by the requirements that all investments are authorized by the Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. STAROhio investments are registered and carry a rating AAAM rating by Standard & Poor's. All other investments of the District are registered and carry a rating AA+ by Standard & Poor's.

**Custodial Risk** for investments is the risk that, in the event of the failure of the counterparty, the 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 District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The District places no limit on the amount it may invest in any one issuer. The following is the District's allocation as of June 30, 2014:

	<u>Percentage of Investments</u>
STAROhio	26.63%
Federal Home Loan Bank	57.57%
Federal Farm Credit Bank	15.80%

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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**Note 7: Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the 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. Assessed values for real property are established by the 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 semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 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.

Tangible personal property tax revenue received from telephone companies during calendar 2014 were levied after October 1, 2013, on the value as of December 31, 2013. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures, is no longer levied and collected.

The Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits to the District the taxes collected. Tax settlements are made each February and August for real property taxes. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values of real and tangible personal property on which the 2014 taxes were collected were as follows:

	2013		2014	
	<u>Second-Half Collections</u>		<u>First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$ 406,008,000	92.80%	\$ 411,883,790	92.48%
Public Utility Personal Property	<u>31,487,480</u>	<u>7.20%</u>	<u>33,511,200</u>	<u>7.52%</u>
Total Assessed Value	\$ <u>437,495,480</u>	<u>100.00%</u>	\$ <u>445,394,990</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 50.85		\$ 50.85	

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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**Note 7: Property Taxes (continued)**

Accrued property taxes receivables include real property and public utility 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. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2014, was \$1,503,834 in the General Fund, \$371,051 in the Bond Retirement Fund, \$189,554 in the Permanent Improvement Fund and \$29,236 in the Classroom Facilities Maintenance Fund.

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

**Note 8: Receivables**

Receivables at June 30, 2014, consisted of taxes, accounts and intergovernmental grants and entitlements. 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 year guarantee of Federal funds. A summary of the principal items of intergovernmental receivables reported on the Statement of Net Position follows:

Governmental activities:	
IDEA B grant	\$ 125,810
Preschool grant	3,852
Title I	254,749
Ohio Lottery proceeds	94,106
City of Ashtabula	45,000
Ohio Department of Education	128,732
Miscellaneous state and federal grants	73,719
State Employees Retirement System refund	<u>122,542</u>
Total governmental activities	\$ <u>848,510</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## Note 9: Capital Assets

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

	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,747,472	\$ 22,100	\$ (28,050)	\$ 1,741,522
Total capital assets, not being depreciated	<u>1,747,472</u>	<u>22,100</u>	<u>(28,050)</u>	<u>1,741,522</u>
Capital assets, being depreciated:				
Land improvements	483,119	234,297	-	717,416
Buildings	113,383,273	51,384	-	113,434,657
Furniture and equipment	2,026,323	-	-	2,026,323
Vehicles	<u>3,153,882</u>	<u>-</u>	<u>-</u>	<u>3,153,882</u>
Total capital assets, being depreciated	<u>119,046,597</u>	<u>285,681</u>	<u>-</u>	<u>119,332,278</u>
Less accumulated depreciation:				
Land improvements	(129,549)	(37,808)	-	(167,357)
Buildings	(7,189,146)	(1,913,393)	-	(9,102,539)
Furniture and equipment	(541,092)	(119,540)	-	(660,632)
Vehicles	<u>(1,784,969)</u>	<u>(275,492)</u>	<u>-</u>	<u>(2,060,461)</u>
Total accumulated depreciation Capital assets being depreciated, net	<u>(9,644,756)</u>	<u>(2,346,233)</u>	<u>-</u>	<u>(11,990,989)</u>
Total capital assets, net	\$ <u>111,149,313</u>	\$ <u>(2,038,452)</u>	\$ <u>(28,050)</u>	\$ <u>109,082,811</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular education	\$ 1,395,961
Special education	346,955
Support services:	
Instructional staff	8,922
Administration	71,129
Fiscal	1,979
Business	1,733
Operation and maintenance of plant	74,653
Pupil transportation	218,080
Central	22,032
Operation of non-instructional services:	
Food service operations	108,108
Extracurricular activities	77,635
Facilities and construction services	<u>19,046</u>
Total depreciation expense	\$ <u>2,346,233</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

## Note 10: Long-Term Liabilities

The changes in the District's long-term obligations during the year consist of the following:

	Principal Outstanding <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>06/30/14</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Refunded OSFC construction bonds 2.00% - 12/01/2030	\$ 31,910,000	\$ -	\$ (1,555,000)	\$ 30,355,000	\$ 1,580,000
Refunded OSFC construction capital appreciation bonds 2.00% - 12/01/2020	354,958	-	-	354,958	-
Accretion on refunded capital appreciation bonds	427,798	285,199	-	712,997	-
Premium on construction bonds	1,720,017	-	(98,287)	1,621,730	-
Compensated absences	<u>2,418,918</u>	<u>441,320</u>	<u>(400,460)</u>	<u>2,459,778</u>	<u>222,761</u>
Total governmental activities long-term liabilities	\$ <u>36,831,691</u>	\$ <u>726,519</u>	\$ <u>(2,053,747)</u>	\$ <u>35,504,463</u>	\$ <u>1,802,761</u>

Principal and interests requirements to retire bonds outstanding at June 30, 2014 are as follows:

	<u>Refunded Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,580,000	\$ 986,282
2016	1,615,000	954,332
2017	1,650,000	921,682
2018	1,680,000	888,382
2019	269,186	2,317,396
2020-2024	8,350,772	4,443,892
2025-2029	10,690,000	2,033,660
2030-2031	<u>4,875,000</u>	<u>196,900</u>
Total	\$ <u>30,709,958</u>	\$ <u>12,742,526</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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**Note 10: Long-Term Liabilities (continued)**

On January 11, 2012, the District issued \$32,724,958 in general obligation bonds for the purpose of refunding general obligation bonds outstanding in order to take advantage of lower interest rates. The bonds were sold at a premium of \$2,215,574 with an issue discount of \$348,126. Proceeds of \$34,238,553 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the general obligation bonds. As a result, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2014, no defeased bonds are outstanding.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$13,016,062 and an unvoted debt margin of \$445,395.

**Note 11: Employee Benefits**

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. The Superintendent, Treasurer, 12 month administrators and 12 month classified employees earn vacation. Classified employees accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
After 6 months	1 Week
After 1 Year	2 Weeks
After 7 Years	3 Weeks
After 17 Years	4 Weeks

In addition to the vacation schedule above, classified employees having served the District continuously for more than 19 years shall be entitled to one additional day for each complete year served in the District in excess of 19 years.

Vacations for classified employees can be taken any time during the year, but no more than five weeks are to be taken in succession. Employees may carry over a maximum of 10 days from one year to the next which they are required to take that year.

The Superintendent earns 25 days of vacation per year and is required to take them that year. There is no option to exchange for cash or carry over to the following year.

The Treasurer earns 20 days of vacation per year and may carry over days from one year to the next or may be paid for accrued vacation days per board policy.

The 12 month administrators earn 20 days of vacation per year and may carry over 10 days from one year to the next or may be paid for accrued vacation days per board policy.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 11: Employee Benefits (continued)**

**Vacation Pay:** All 12 month classified employees may choose to be paid for two weeks of vacation in lieu of time off at their rate of pay.

**Sick Leave:** Each employee earns sick leave at the rate of one and one-fourth days per month. Sick Leave has an unlimited accumulation of days for certificated personnel and classified personnel.

**Service Retirement:** Upon retirement, employees shall receive in one lump sum, one-fourth of the accumulated sick leave days multiplied by the per diem rate at the time of retirement.

## **Note 12: Risk Management**

### **A. General Risk**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. Other liability insurance includes \$50,000 for the District Superintendent, \$50,000 for the District Treasurer, \$50,000 for the Director of Operations, \$25,000 for the Assistant Superintendent and \$20,000 for each board member of the Board of Education. Additionally the District has commercial crime coverage of \$10,000.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$125,545,916. Other property insurance includes \$1,983,219 for musical instrument, related equipment and accessories, and electronic data processing hardware.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

### **B. Workers' Compensation**

The State of Ohio provides workers' compensation coverage. The District pays the State Workers' Compensation System a premium based on a percentage of salaries. This percentage is calculated based on accident history and administrative costs.



# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## Note 12: Risk Management (continued)

### C. Health Insurance

The District has established an Internal Service Self-Insurance Fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs.

This Self-Insurance Fund was established January 1994, for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund and certain non-major governmental funds. Claims payments are made on an as-incurred basis, thus no reserve remains with the insurance carrier.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$1,014,900 at June 30, 2014.

A summary of changes in self-insurance claims for the current and four preceding fiscal years follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2014	\$ 1,002,000	\$ 5,697,838	\$ (5,684,938)	\$ 1,014,900
2013	1,092,700	5,774,677	(5,865,377)	1,002,000
2012	1,204,400	5,275,927	(5,387,627)	1,092,700
2011	1,289,900	6,463,103	(6,548,603)	1,204,400
2010	1,298,400	5,808,997	(5,817,497)	1,289,900

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 13: Defined Benefit Pension Plans**

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

The 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 may be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds.

The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012, were \$515,133, \$648,418, and \$673,145, respectively; 87.63 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling toll free 1-888-227-7877 or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 13: Defined Benefit Pension Plans (continued)**

### **B. State Teachers Retirement System (continued)**

The DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying one percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for DB Plan participants.

## Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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### **Note 13: Defined Benefit Pension Plans (continued)**

#### **B. State Teachers Retirement System (continued)**

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2014 plan members were required to contribute 11 percent. For fiscal year ended June 30, 2013 and 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$2,010,424, \$2,032,679, and \$2,232,315 respectively; 95.81 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$57,602 made by the District and \$45,258 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, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 14: Post-Employment Benefits**

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

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

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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 if they participated in one of the SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2014, the actuarially required allocation is 0.76 percent. The District's contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were \$31,910, \$34,274, and \$36,061 respectively; 87.63 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Health Care Plan is funded through employer contributions as set forth in ORC Sections 3309.375 and 3309.69 to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2014, the health care allocation was 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the fiscal years ended June 30, 2014, 2013, and 2012 the District's contributions assigned to health care were \$78,568, \$76,898, and \$97,703, respectively.

## Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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### **Note 14: Post-Employment Benefits (continued)**

#### **A. School Employees Retirement System (continued)**

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

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

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2014, 2013 and 2012 the District's contributions to post-employment health care were \$143,602, \$145,191, and \$159,451, respectively. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## Note 15: Budgetary Basis of Accounting

While 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 Balances – Budget (Non-GAAP Budgetary Basis) are presented for the General Fund on the budgetary basis to provide a relevant comparison of actual results with the budget.

The major differences between the budgetary basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures (budgetary basis) rather than a restricted, committed, or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	<u>General</u>
GAAP basis	\$ 2,231,656
Net adjustment for revenue accruals	315,255
Net adjustment for expenditure accruals	(347,103)
Adjustment for encumbrances	(294,014)
Funds budgeted elsewhere	<u>(4,729)</u>
Budget basis	\$ <u>1,901,065</u>

## Note 16: Interfund Transactions

### A. Interfund balances

Interfund balances consisted of the following at June 30, 2014, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 290,370
General Fund	Agency	<u>1,619</u>
		\$ <u>291,989</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the Statement of Net Position.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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## **Note 17: Operating Leases**

The District leases several copier machines from Xerox. The following is a general description of the lease agreements:

The District entered into a 60 month lease with Xerox, commencing July 2010 for copiers to be used within the District. The total rental expense for the year ended June 30, 2014, was \$89,940. The remaining rental expense of \$88,590 will be paid during the year ended June 30, 2015.

## **Note 18: Contingencies**

### **A. Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement 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 effect on the financial position of the District at June 30, 2014.

## **Note 19: Statutory Reserves**

The District is required by State statute to annually set aside in the General Fund an amount on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the 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 changes in the year end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2013	\$ -
Current year set-aside requirements	647,846
Qualifying disbursements	<u>(1,103,793)</u>
Total set-aside reserve balance as of June 30, 2014	<u>\$ (455,947)</u>

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



# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2014

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**Note 20: Other Significant Commitments**

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

Governmental Funds:	<u>Encumbrances</u>
General Fund	\$ 160,679
Permanent Improvement Fund	177,230
Classroom Facilities Fund	42,626
Other governmental Funds	<u>31,463</u>
Total Governmental Funds	\$ <u><u>411,998</u></u>

**Note 21: Insurance Proceeds**

During fiscal year 2014, the District received insurance proceeds of \$3,060,000 as a result of a litigation settlement from contractors on faulty construction. Proceeds were received from the following insurance companies:

Liberty Mutual Insurance	\$ 2,220,000
Erie Insurance Exchange	70,000
XL Insurance	700,000
CNA Casualty Company	<u>70,000</u>
Total insurance proceeds	3,060,000
Retainage on remaining construction contract	<u>40,000</u>
Total settlement amount	\$ <u><u>3,100,000</u></u>

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**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	2014	10.553	\$242,535	\$0	\$242,535	\$0
National School Lunch Program	2014	10.555	774,479	75,941	774,479	75,941
<b>Total -- Nutrition Cluster</b>			<b>1,017,014</b>	<b>75,941</b>	<b>1,017,014</b>	<b>75,941</b>
<b>Total U.S. Department of Agriculture</b>			<b>1,017,014</b>	<b>75,941</b>	<b>1,017,014</b>	<b>75,941</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies						
Title I School Subsidy	2013	84.010	97,145		174,886	
	2014		1,452,090		1,513,380	
<b>Subtotal - Title I School Subsidy</b>			<b>1,549,235</b>		<b>1,688,266</b>	
<i>Special Education Cluster:</i>						
Individuals with Disabilities Education Act, Part B	2013	84.027	116,397		154,612	
	2014		964,665		989,149	
Special Education - Preschool Grant	2013	84.173	10,542		1,400	
	2014		33,514		33,165	
<b>Subtotal - Special Education Cluster</b>			<b>1,125,117</b>		<b>1,178,326</b>	
Title VI-B Rural Education	2013	84.358	6,058		(6,831)	
	2014		63,630		66,248	
<b>Subtotal - Title VI-B Rural Education</b>			<b>69,687</b>		<b>59,417</b>	
Title III - English Language Acquisition	2014	84.365	43,039		40,528	
Title II, Part A - Improving Teacher Quality	2013	84.367	45,658		51,793	
	2014		268,409		268,532	
<b>Subtotal - Title II Part A Improving Teacher Quality</b>			<b>314,067</b>		<b>320,325</b>	
Race to the Top	2014	84.395	324,828		339,179	
<b>Total - U.S. Department of Education</b>			<b>3,425,974</b>		<b>3,626,041</b>	
<b>Totals</b>			<b>\$4,442,988</b>	<b>\$75,941</b>	<b>\$4,643,055</b>	<b>\$75,941</b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal monies received by the District for these programs are comingled with State grants and local revenues. It is assumed that federal monies are expected first.

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# 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*

Ashtabula Area City School District  
Ashtabula County  
2630 West 13<sup>th</sup> Street  
Ashtabula, Ohio 44004

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 Ashtabula Area City School District, Ashtabula County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2015.

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

As part of our financial statement audit, we considered the 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 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 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 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 25, 2015



# Dave Yost • Auditor of State

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

Ashtabula Area City School District  
Ashtabula County  
2630 West 13<sup>th</sup> Street  
Ashtabula, Ohio 44004

To The Board of Education:

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

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

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

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

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

Our responsibility is to opine on the District's compliance for the District's major federal program 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 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 District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Ashtabula Area City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect the major federal program for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

The 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 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 the 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 District's internal control over compliance.

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

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 12, 2015



**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

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

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

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

None

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

None