



Dave Yost • Auditor of State



**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Ayersville Local School District  
Defiance County  
28046 Watson Road  
Defiance, Ohio 43512-8756

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ayersville Local School District, Defiance 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, the major fund, and the aggregate remaining fund information of Ayersville Local School District, Defiance County, Ohio, as of June 30, 2014, and the respective changes in financial position 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.

*Supplemental and Other Information*

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

The Federal Award 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 also not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 27, 2015

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**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

The discussion and analysis of Ayersville Local 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- In total, net position increased \$388,446 which represents a 6.97% increase from 2013.
- General revenues accounted for \$6,763,151 or 70.88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,777,892 or 29.12% of total revenues of \$9,541,043.
- The District had \$9,152,597 in expenses related to governmental activities; only \$2,777,892 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,763,151 were adequate to provided for these programs.
- The District's major governmental fund is the General Fund. The General Fund had \$8,822,656 in revenues and other financing sources and \$8,262,219 in expenditures and other financing uses. The General Fund's fund balance increased \$558,783 from \$3,670,106 to \$4,228,889.

**Using these Basic Financial Statements (BFS)**

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 as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**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 answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses 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 expense regardless of when cash is received or paid.

These two statements report the District's net position and changes in that 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 restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the District's programs and services are reported as governmental activities, as most include instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

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

*Fund Financial Statements*

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 only major governmental fund is the General 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 balance left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**Reporting the District's Fiduciary Responsibilities**

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds and one private-purpose trust fund. The District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2014 and 2013.

|                                  | <b>Net Position</b>                |                                    |
|----------------------------------|------------------------------------|------------------------------------|
|                                  | Governmental<br>Activities<br>2014 | Governmental<br>Activities<br>2013 |
| <b><u>Assets</u></b>             |                                    |                                    |
| Current and other assets         | \$ 7,727,448                       | \$ 7,367,594                       |
| Capital assets, net              | <u>2,548,671</u>                   | <u>2,403,382</u>                   |
| Total assets                     | <u>10,276,119</u>                  | <u>9,770,976</u>                   |
| <b><u>Liabilities</u></b>        |                                    |                                    |
| Current liabilities              | 990,734                            | 967,798                            |
| Long-term liabilities            | <u>1,040,123</u>                   | <u>839,043</u>                     |
| Total liabilities                | <u>2,030,857</u>                   | <u>1,806,841</u>                   |
| <b><u>Deferred inflows</u></b>   | <u>2,283,035</u>                   | <u>2,390,354</u>                   |
| <b><u>Net position</u></b>       |                                    |                                    |
| Net investment in capital assets | 2,158,910                          | 2,270,366                          |
| Restricted                       | 168,807                            | 192,775                            |
| Unrestricted                     | <u>3,634,510</u>                   | <u>3,110,640</u>                   |
| Total net position               | <u>\$ 5,962,227</u>                | <u>\$ 5,573,781</u>                |

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's net position was \$5,962,227. Of this total, \$3,634,510 is unrestricted in use.

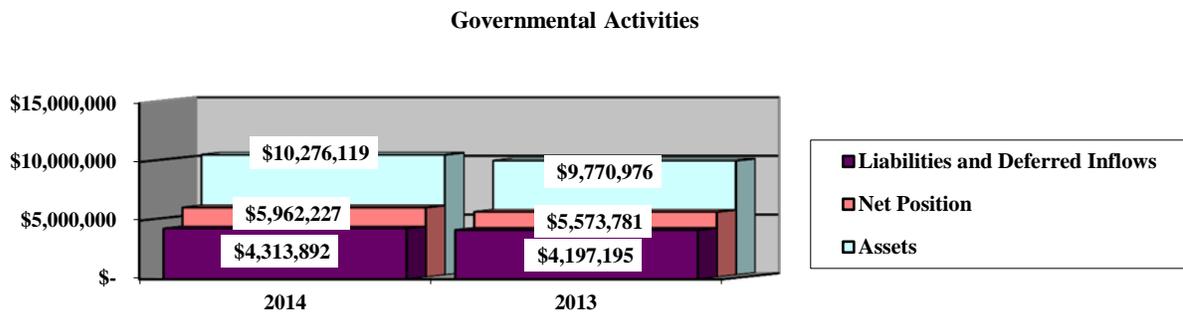
At year-end, capital assets represented 24.80% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. The District's net investment in capital assets at June 30, 2014 was \$2,158,910. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)

A portion of the District's net position, \$168,807, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$3,634,510 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's assets, liabilities, deferred inflows and net position at June 30, 2014 and 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

**Change in Net Position**

|  | Governmental<br>Activities<br>2014 | Governmental<br>Activities<br>2013 |
|--|------------------------------------|------------------------------------|
| <b>Revenues</b>                              |                                    |                                    |
| Program revenues:                            |                                    |                                    |
| Charges for services and sales               | \$ 1,844,102                       | \$ 1,590,949                       |
| Operating grants and contributions           | 803,838                            | 571,955                            |
| Capital grants and contributions             | 129,952                            | -                                  |
| General revenues:                            |                                    |                                    |
| Property taxes                               | 2,667,806                          | 2,408,924                          |
| Income taxes                                 | 882,377                            | 845,876                            |
| Grants and entitlements                      | 3,195,720                          | 3,001,926                          |
| Investment earnings                          | 14,417                             | 4,682                              |
| Decrease in fair market value of investments | -                                  | (5,191)                            |
| Miscellaneous                                | 2,831                              | 3,862                              |
| <b>Total revenues</b>                        | <b>9,541,043</b>                   | <b>8,422,983</b>                   |

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**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Total revenues increased approximately \$1.12 million from fiscal year 2013. This increase is due to an increase in open enrollment revenue, which is classified as charges for services, participation in the 21<sup>st</sup> Century Grant program, which is classified as an operating grant and contribution, and participation in the Straight A Grant program, most of which was recorded as a capital grant and contribution.

Property taxes increased approximately \$259,000 due to an increase in assessed valuation compared to prior fiscal years. Income tax revenue increased approximately \$37,000 due to declining unemployment rates.

**Change in Net Position (Continued)**

|   | <u>Governmental<br/>Activities<br/>2014</u> | <u>Governmental<br/>Activities<br/>2013</u> |
|---|---|---|
| <b><u>Expenses</u></b>                    |   |   |
| Program expenses:                         |   |   |
| Instruction:                              |   |   |
| Regular                                   | \$ 4,293,073                                | \$ 4,035,456                                |
| Special                                   | 637,760                                     | 521,198                                     |
| Vocational                                | 61,516                                      | 66,435                                      |
| Other                                     | 418,076                                     | 445,253                                     |
| Support services:                         |   |   |
| Pupil                                     | 270,937                                     | 362,237                                     |
| Instructional staff                       | 431,546                                     | 341,310                                     |
| Board of education                        | 32,482                                      | 23,406                                      |
| Administration                            | 630,745                                     | 589,422                                     |
| Fiscal                                    | 338,269                                     | 319,742                                     |
| Operations and maintenance                | 705,722                                     | 663,140                                     |
| Pupil transportation                      | 323,123                                     | 311,912                                     |
| Central                                   | 44,025                                      | 39,114                                      |
| Operations of non-instructional services: |   |   |
| Food service operations                   | 368,191                                     | 380,829                                     |
| Other non-instructional services          | 123,818                                     | 141,021                                     |
| Extracurricular activities                | 464,140                                     | 447,217                                     |
| Interest and fiscal charges               | 9,174                                       | 6,218                                       |
| Total expenses                            | <u>9,152,597</u>                            | <u>8,693,910</u>                            |
| Change in net position                    | 388,446                                     | (270,927)                                   |
| Net position at beginning of year         | <u>5,573,781</u>                            | <u>5,844,708</u>                            |
| Net position at end of year               | <u><u>\$ 5,962,227</u></u>                  | <u><u>\$ 5,573,781</u></u>                  |

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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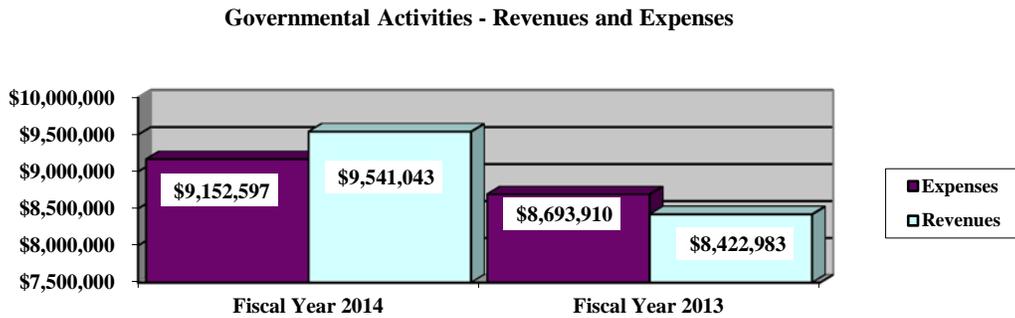
**Governmental Activities**

Net position of the District's governmental activities increased by \$388,446. Total governmental expenses of \$9,152,597 were offset by program revenues of \$2,777,892 and general revenues of \$6,763,151. Program revenues supported 30.35% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources, in addition to the collection of the District's school district income tax, represent 70.70% of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,410,425 or 59.11% of total governmental expenses for fiscal year 2014.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.



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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**Governmental Activities**

|   | Total Cost of<br>Services<br><u>2014</u> | Net Cost of<br>Services<br><u>2014</u> | Total Cost of<br>Services<br><u>2013</u> | Net Cost of<br>Services<br><u>2013</u> |
|---|--|--|--|--|
| <b>Program expenses</b>                   |  |  |  |  |
| Instruction:                              |  |  |  |  |
| Regular                                   | \$ 4,293,073                             | \$ 2,777,043                           | \$ 4,035,456                             | \$ 2,804,884                           |
| Special                                   | 637,760                                  | 241,275                                | 521,198                                  | 245,160                                |
| Vocational                                | 61,516                                   | 60,734                                 | 66,435                                   | 65,094                                 |
| Other                                     | 418,076                                  | 324,794                                | 445,253                                  | 356,471                                |
| Support services:                         |  |  |  |  |
| Pupil                                     | 270,937                                  | 270,937                                | 362,237                                  | 362,237                                |
| Instructional staff                       | 431,546                                  | 217,218                                | 341,310                                  | 325,231                                |
| Board of education                        | 32,482                                   | 32,482                                 | 23,406                                   | 23,406                                 |
| Administration                            | 630,745                                  | 629,351                                | 589,422                                  | 588,023                                |
| Fiscal                                    | 338,269                                  | 337,509                                | 319,742                                  | 319,742                                |
| Operations and maintenance                | 705,722                                  | 705,722                                | 663,140                                  | 663,140                                |
| Pupil transportation                      | 323,123                                  | 310,090                                | 311,912                                  | 302,056                                |
| Central                                   | 44,025                                   | 32,997                                 | 39,114                                   | 34,274                                 |
| Operations of non-instructional services: |  |  |  |  |
| Food service operations                   | 368,191                                  | 14,796                                 | 380,829                                  | 20,159                                 |
| Other non-instructional services          | 123,818                                  | 114,682                                | 141,021                                  | 90,931                                 |
| Extracurricular activities                | 464,140                                  | 295,901                                | 447,217                                  | 323,980                                |
| Interest and fiscal charges               | <u>9,174</u>                             | <u>9,174</u>                           | <u>6,218</u>                             | <u>6,218</u>                           |
| Total expenses                            | <u>\$ 9,152,597</u>                      | <u>\$ 6,374,705</u>                    | <u>\$ 8,693,910</u>                      | <u>\$ 6,531,006</u>                    |

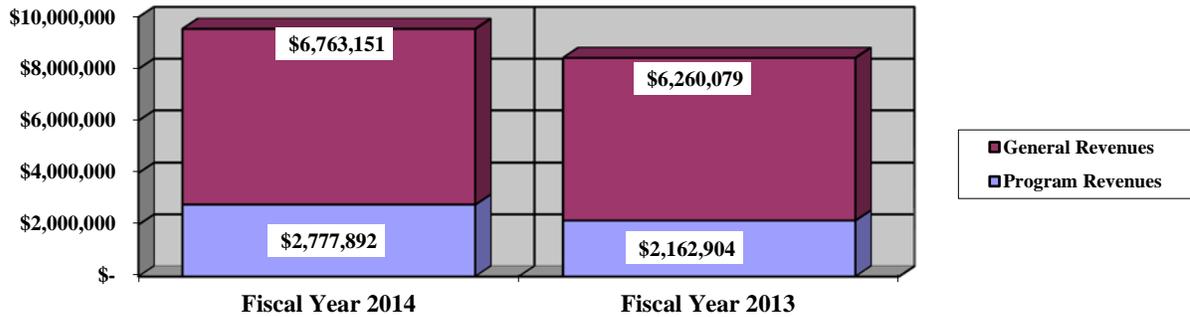
The dependence upon tax and other general revenues for governmental activities is apparent as 62.91% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 69.65%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,356,983, which is greater than last year's total of \$3,820,317. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

|                    | <u>Fund Balance<br/>June 30, 2014</u> | <u>Fund Balance<br/>June 30, 2013</u> | <u>Increase<br/>(Decrease)</u> | <u>Percentage<br/>Change</u> |
|--------------------|---------------------------------------|---------------------------------------|--------------------------------|------------------------------|
| <b>Major Fund:</b> |                                       |                                       |                                |                              |
| General            | \$ 4,228,889                          | \$ 3,670,106                          | \$ 558,783                     | 15.23 %                      |
| Other governmental | <u>128,094</u>                        | <u>150,211</u>                        | <u>(22,117)</u>                | (14.72) %                    |
| Total              | <u>\$ 4,356,983</u>                   | <u>\$ 3,820,317</u>                   | <u>\$ 536,666</u>              | 14.05 %                      |

**General Fund**

The District's General Fund balance increased as revenues increased greater than expenditures increased. Tuition revenue increased approximately \$241,000 due to increased open enrollment revenue during fiscal year 2014. Tax revenue also increased by approximately \$352,000. The most significant reason for the increase in tax revenues is due to an increase of the assessed valuation of the District. Intergovernmental revenue also increased approximately \$179,000 due to changes in the State Foundation funding formula.

Total General Fund expenditures increased 6.66% over the prior fiscal year. This was primarily due to the District entering into two new capital leases. Debt service also increased due to the capital leases.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

|                            | 2014<br><u>Amount</u> | 2013<br><u>Amount</u> | Increase<br><u>(Decrease)</u> | Percentage<br><u>Change</u> |
|----------------------------|-----------------------|-----------------------|-------------------------------|-----------------------------|
| <b><u>Revenues</u></b>     |                       |                       |                               |                             |
| Taxes                      | \$ 3,428,477          | \$ 3,076,538          | \$ 351,939                    | 11.44 %                     |
| Tuition                    | 1,409,987             | 1,168,707             | 241,280                       | 20.65 %                     |
| Earnings on investments    | 14,384                | 4,306                 | 10,078                        | 234.05 %                    |
| Intergovernmental          | 3,229,414             | 3,050,482             | 178,932                       | 5.87 %                      |
| Other revenues             | <u>119,476</u>        | <u>117,588</u>        | <u>1,888</u>                  | 1.61 %                      |
| Total                      | <u>\$ 8,201,738</u>   | <u>\$ 7,417,621</u>   | <u>\$ 784,117</u>             | 10.57 %                     |
| <b><u>Expenditures</u></b> |                       |                       |                               |                             |
| Instruction                | \$ 4,715,617          | \$ 4,661,574          | \$ 54,043                     | 1.16 %                      |
| Support services           | 2,452,157             | 2,496,632             | (44,475)                      | (1.78) %                    |
| Non-instructional services | 12,897                | 10,973                | 1,924                         | 17.53 %                     |
| Extracurricular activities | 337,839               | 330,600               | 7,239                         | 2.19 %                      |
| Capital outlay             | 512,173               | 95,304                | 416,869                       | 437.41 %                    |
| Debt service               | <u>221,036</u>        | <u>141,026</u>        | <u>80,010</u>                 | 56.73 %                     |
| Total                      | <u>\$ 8,251,719</u>   | <u>\$ 7,736,109</u>   | <u>\$ 515,610</u>             | 6.66 %                      |

***General Fund Budgeting Highlights***

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 year 2014, the District amended its General Fund budget several times. For the General Fund, original budgeted revenues and financing sources were \$7,278,926 and final budgeted revenues and other financing sources were \$7,866,285. Actual revenues and other financing sources for fiscal year 2014 were \$8,000,759. This represents a \$134,474 increase from final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) of \$7,882,821 were unchanged in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$7,725,884 which was \$156,937 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$2,548,671 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. The following table shows fiscal year 2014 balances compared to fiscal year 2013.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**Capital Assets at June 30  
(Net of Depreciation)**

|                           | Governmental Activities |              |
|---------------------------|-------------------------|--------------|
|                           | 2014                    | 2013         |
| Land                      | \$ 148,406              | \$ 148,406   |
| Land improvements         | 105,676                 | 115,227      |
| Building and improvements | 1,081,333               | 1,062,638    |
| Furniture and equipment   | 1,104,600               | 897,679      |
| Vehicles                  | 100,725                 | 157,934      |
| Textbooks                 | 7,931                   | 21,498       |
| Total                     | \$ 2,548,671            | \$ 2,403,382 |

Total additions to capital assets for 2014 were \$776,636 and total disposals were \$230,753 (net of accumulated depreciation). Depreciation recorded for the fiscal year totaled \$400,594.

See Note 10 to the basic financial statements for further details on the District's capital assets.

***Debt Administration***

At June 30, 2014, the District had \$389,761 in capital leases outstanding. Of these totals, \$15,767 and \$57,337 is due within one year and due in greater than one year on the District's capital copier leases, respectively; \$104,051 is due within one year and \$212,606 due in greater than one year on the District's capital leases for computers, respectively. The following table summarized the debt outstanding.

**Outstanding Debt, at Year End**

|                           | Governmental<br>Activities<br><u>2014</u> | Governmental<br>Activities<br><u>2013</u> |
|---------------------------|---|---|
| Capital lease - copiers   | \$ 73,104                                 | \$ 33,566                                 |
| Capital lease - computers | 316,657                                   | 36,799                                    |
| Installment loan          | -   | 62,651                                    |
| Total                     | \$ 389,761                                | \$ 133,016                                |

See Note 12 to the basic financial statements for additional information on the District's debt administration.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**Current Financial Related Activities**

Property tax levies on a continuing basis and a five-year, one-percent income tax are in place to help fund the General Fund operations of the District. Residential and agricultural property tax revenue and public utility taxes remain stable, and income tax receipts have rebounded as the economy has improved. Incoming open enrollment made up sixteen percent and reimbursement from the State for tangible personal property tax losses due to House Bill 66 made up nine percent of General Fund revenue in fiscal year 2014. Overall, revenue for the District is higher than last fiscal year due to an increase in commercial and industrial property taxes, open enrollment, and a State funding change related to revenue and related expenditures that now flow through the District's funding formula.

State funding estimates for the District show a slight decrease as the second year of the State biennial budget begins in fiscal year 2015 due to a projected decline in resident students; however, there has been an increase in incoming open enrollment as the school year begins. The State reimbursement of tangible personal property tax is projected to remain unaffected as well during this current biennial budget, but remains a significant concern in the future as the District relies heavily on this reimbursement to fund operations.

The District continues to manage its resources in spite of a difficult economy and was able to keep General Fund expenditures within 0.9% of the prior fiscal year's expenditures. The uncertainty associated with the long term effects of the elimination of the tangible personal property tax base and State funding revisions will create future challenges; however, the financial stability of the District continues to be a top priority.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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 questions about this report or need additional financial information, contact Ms. Connie Nicely, CFO/Treasurer, Ayersville Local School District, 28046 Watson Road, Defiance, Ohio, 43512.

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**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2014

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>                                 |                                    |
| Equity in pooled cash and investments          | \$ 4,690,947                       |
| Receivables:                                   |                                    |
| Property taxes                                 | 2,608,635                          |
| Income taxes                                   | 318,112                            |
| Payment in lieu of taxes                       | 985                                |
| Accrued interest                               | 942                                |
| Intergovernmental                              | 85,881                             |
| Prepayments                                    | 13,347                             |
| Materials and supplies inventory               | 8,599                              |
| Capital assets:                                |                                    |
| Nondepreciable capital assets                  | 148,406                            |
| Depreciable capital assets, net                | 2,400,265                          |
| Capital assets, net                            | 2,548,671                          |
| Total assets                                   | 10,276,119                         |
| <br><b>Liabilities:</b>                        |                                    |
| Accounts payable                               | 31,184                             |
| Accrued wages and benefits                     | 811,071                            |
| Pension obligation payable                     | 114,498                            |
| Intergovernmental payable                      | 33,981                             |
| Long-term liabilities:                         |                                    |
| Due within one year                            | 225,030                            |
| Due in more than one year                      | 815,093                            |
| Total liabilities                              | 2,030,857                          |
| <br><b>Deferred inflows of resources:</b>      |                                    |
| Property taxes levied for the next fiscal year | 2,283,035                          |
| <br><b>Net position:</b>                       |                                    |
| Net investment in capital assets               | 2,158,910                          |
| Restricted for:                                |                                    |
| Capital projects                               | 52,916                             |
| State funded programs                          | 186                                |
| Federally funded programs                      | 13,258                             |
| Natatorium operations                          | 80,875                             |
| Student activities                             | 20,516                             |
| School bus purchases                           | 1,056                              |
| Unrestricted                                   | 3,634,510                          |
| Total net position                             | \$ 5,962,227                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|  |                     | <b>Program Revenues</b>                   |   |   | <b>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</b> |
|--|---------------------|---|---|---|--|
|  | <b>Expenses</b>     | <b>Charges for<br/>Services and Sales</b> | <b>Operating Grants<br/>and Contributions</b> | <b>Capital Grants<br/>and Contributions</b> | <b>Governmental<br/>Activities</b>                                   |
| <b>Governmental activities:</b>          |                     |   |   |   |  |
| Instruction:                             |                     |   |   |   |  |
| Regular                                  | \$ 4,293,073        | \$ 1,331,052                              | \$ 178,993                                    | \$ 5,985                                    | \$ (2,777,043)   |
| Special                                  | 637,760             | 133,098                                   | 263,387                                       |   | (241,275)  |
| Vocational                               | 61,516              |   | 782   |   | (60,734)   |
| Other                                    | 418,076             |   | 93,282  |   | (324,794)  |
| Support services:                        |                     |   |   |   |  |
| Pupil                                    | 270,937             |   |   |   | (270,937)  |
| Instructional staff                      | 431,546             |   | 90,361  | 123,967                                     | (217,218)  |
| Board of education                       | 32,482              |   |   |   | (32,482)   |
| Administration                           | 630,745             |   | 1,394   |   | (629,351)  |
| Fiscal                                   | 338,269             |   | 760   |   | (337,509)  |
| Operations and maintenance               | 705,722             |   |   |   | (705,722)  |
| Pupil transportation                     | 323,123             |   | 13,033  |   | (310,090)  |
| Central                                  | 44,025              |   | 11,028  |   | (32,997)   |
| Operation of non-instructional services: |                     |   |   |   |  |
| Food service operations                  | 368,191             | 221,357                                   | 132,038                                       |   | (14,796)   |
| Other non-instructional services         | 123,818             | 6,027                                     | 3,109   |   | (114,682)  |
| Extracurricular activities               | 464,140             | 152,568                                   | 15,671  |   | (295,901)  |
| Interest and fiscal charges              | 9,174               |   |   |   | (9,174)  |
| <b>Total governmental activities</b>     | <b>\$ 9,152,597</b> | <b>\$ 1,844,102</b>                       | <b>\$ 803,838</b>                             | <b>\$ 129,952</b>                           | <b>(6,374,705)</b>   |
| <br><b>General revenues:</b>             |                     |   |   |   |  |
| Property taxes levied for:               |                     |   |   |   |  |
|  |                     |   |   |   | 2,471,294  |
|  |                     |   |   |   | 88,316   |
|  |                     |   |   |   | 108,196  |
| Income taxes levied for:                 |                     |   |   |   |  |
|  |                     |   |   |   | 882,377  |
| Grants and entitlements not restricted   |                     |   |   |   |  |
|  |                     |   |   |   | 3,195,720  |
|  |                     |   |   |   | 14,417   |
|  |                     |   |   |   | 2,831  |
|  |                     |   |   |   | 6,763,151  |
|  |                     |   |   |   | 388,446  |
|  |                     |   |   |   | 5,573,781  |
|  |                     |   |   |   | \$ 5,962,227   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

|   | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|
| <b>Assets:</b>  |                     |  |   |
| Equity in pooled cash and investments                 | \$ 4,542,900        | \$ 146,991                                 | \$ 4,689,891                            |
| Receivables:  |                     |  |   |
| Property taxes  | 2,418,593           | 190,042                                    | 2,608,635                               |
| Income taxes  | 318,112             |  | 318,112                                 |
| Payment in lieu of taxes                              | 903                 | 82   | 985                                     |
| Accrued interest                                      | 942                 |  | 942                                     |
| Interfund loans                                       | 12,510              |  | 12,510                                  |
| Intergovernmental                                     | 41,849              | 44,032                                     | 85,881                                  |
| Prepayments   | 11,997              | 1,350                                      | 13,347                                  |
| Materials and supplies inventory                      | 5,883               | 2,716                                      | 8,599                                   |
| Restricted assets:                                    |                     |  |   |
| Equity in pooled cash and investments                 | 1,056               |  | 1,056                                   |
| Total assets  | <u>\$ 7,354,745</u> | <u>\$ 385,213</u>                          | <u>\$ 7,739,958</u>                     |
| <b>Liabilities:</b>                                   |                     |  |   |
| Accounts payable                                      | \$ 26,842           | \$ 4,342                                   | \$ 31,184                               |
| Accrued wages and benefits                            | 756,478             | 54,593                                     | 811,071                                 |
| Compensated absences payable                          | 41,862              |  | 41,862                                  |
| Interfund loans payable                               |                     | 12,510                                     | 12,510                                  |
| Intergovernmental payable                             | 32,176              | 1,805                                      | 33,981                                  |
| Pension obligation payable                            | 105,302             | 9,196                                      | 114,498                                 |
| Total liabilities                                     | <u>962,660</u>      | <u>82,446</u>                              | <u>1,045,106</u>                        |
| <b>Deferred inflows of resources:</b>                 |                     |  |   |
| Property taxes levied for the next fiscal year        | 2,117,375           | 165,660                                    | 2,283,035                               |
| Delinquent property tax revenue not available         | 11,218              | 882  | 12,100                                  |
| Accrued interest not available                        | 411                 |  | 411                                     |
| Other nonexchange transactions not available          |                     | 8,049                                      | 8,049                                   |
| Miscellaneous revenue not available                   | 34,192              | 82   | 34,274                                  |
| Total deferred inflows of resources                   | <u>2,163,196</u>    | <u>174,673</u>                             | <u>2,337,869</u>                        |
| <b>Fund balances:</b>                                 |                     |  |   |
| Nonspendable  | 17,880              | 4,066                                      | 21,946                                  |
| Restricted  | 1,056               | 161,064                                    | 162,120                                 |
| Committed   | 229,449             |  | 229,449                                 |
| Assigned  | 733,587             |  | 733,587                                 |
| Unassigned (deficit)                                  | <u>3,246,917</u>    | <u>(37,036)</u>                            | <u>3,209,881</u>                        |
| Total fund balances                                   | <u>4,228,889</u>    | <u>128,094</u>                             | <u>4,356,983</u>                        |
| Total liabilities, deferred inflows and fund balances | <u>\$ 7,354,745</u> | <u>\$ 385,213</u>                          | <u>\$ 7,739,958</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

|  |    |           |           |
|--|----|-----------|-----------|
| <b>Total governmental fund balances</b>  |    | \$        | 4,356,983 |
| <br><i>Amounts reported for governmental activities on the statement of net position are different because:</i>                            |    |           |           |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                    |    |           | 2,548,671 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.           |    |           |           |
| Property taxes receivable  | \$ | 12,100    |           |
| Payment in lieu of taxes receivable  |    | 985       |           |
| Accrued interest receivable  |    | 411       |           |
| Intergovernmental receivable   |    | 41,338    |           |
| Total  |    | 54,834    | 54,834    |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. |    |           |           |
| Capital lease obligations  |    | (389,761) |           |
| Compensated absences   |    | (608,500) |           |
| Total  |    | (998,261) | (998,261) |
| <b>Net position of governmental activities</b>   |    | \$        | 5,962,227 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|   | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|
| <b>Revenues:</b>                                    |                     |  |   |
| From local sources:                                 |                     |  |   |
| Property taxes                                      | \$ 2,546,100        | \$ 202,406                                 | \$ 2,748,506                            |
| Income taxes  | 882,377             |  | 882,377                                 |
| Payment in lieu of taxes                            | 903                 | 83   | 986                                     |
| Tuition   | 1,409,987           |  | 1,409,987                               |
| Earnings on investments                             | 14,384              | 13   | 14,397                                  |
| Charges for services                                |                     | 220,132                                    | 220,132                                 |
| Extracurricular                                     |                     | 103,768                                    | 103,768                                 |
| Classroom materials and fees                        | 54,163              |  | 54,163                                  |
| Other local revenues                                | 64,410              | 17,186                                     | 81,596                                  |
| Intergovernmental - State                           | 3,209,163           | 290,303                                    | 3,499,466                               |
| Intergovernmental - Federal                         | 20,251              | 563,355                                    | 583,606                                 |
| <b>Total revenues</b>                               | <u>8,201,738</u>    | <u>1,397,246</u>                           | <u>9,598,984</u>                        |
| <b>Expenditures:</b>                                |                     |  |   |
| Current:  |                     |  |   |
| Instruction:  |                     |  |   |
| Regular   | 3,854,202           | 198,138                                    | 4,052,340                               |
| Special   | 485,012             | 142,722                                    | 627,734                                 |
| Vocational  | 57,149              |  | 57,149                                  |
| Other   | 319,254             | 98,937                                     | 418,191                                 |
| Support services:                                   |                     |  |   |
| Pupil   | 267,047             | 2,957                                      | 270,004                                 |
| Instructional staff                                 | 299,774             | 213,856                                    | 513,630                                 |
| Board of education                                  | 32,482              |  | 32,482                                  |
| Administration                                      | 612,812             | 1,460                                      | 614,272                                 |
| Fiscal  | 330,107             | 6,454                                      | 336,561                                 |
| Operations and maintenance                          | 617,474             | 137,453                                    | 754,927                                 |
| Pupil transportation                                | 261,328             | 6,360                                      | 267,688                                 |
| Central   | 31,133              | 12,892                                     | 44,025                                  |
| Operation of non-instructional services:            |                     |  |   |
| Food service operations                             |                     | 363,502                                    | 363,502                                 |
| Other non-instructional services                    | 12,897              | 110,921                                    | 123,818                                 |
| Extracurricular activities                          | 337,839             | 125,572                                    | 463,411                                 |
| Capital outlay                                      | 512,173             |  | 512,173                                 |
| Debt service:                                       |                     |  |   |
| Principal retirement                                | 211,862             | 10,000                                     | 221,862                                 |
| Interest and fiscal charges                         | 9,174               |  | 9,174                                   |
| <b>Total expenditures</b>                           | <u>8,251,719</u>    | <u>1,431,224</u>                           | <u>9,682,943</u>                        |
| Excess of expenditures over revenues                | <u>(49,981)</u>     | <u>(33,978)</u>                            | <u>(83,959)</u>                         |
| <b>Other financing sources (uses):</b>              |                     |  |   |
| Sale of capital assets                              | 108,745             | 608  | 109,353                                 |
| Transfers in  |                     | 10,500                                     | 10,500                                  |
| Transfers (out)                                     | (10,500)            |  | (10,500)                                |
| Capital lease transactions                          | 512,173             |  | 512,173                                 |
| <b>Total other financing sources (uses)</b>         | <u>610,418</u>      | <u>11,108</u>                              | <u>621,526</u>                          |
| Net change in fund balances                         | 560,437             | (22,870)                                   | 537,567                                 |
| <b>Fund balances at beginning of year</b>           | 3,670,106           | 150,211                                    | 3,820,317                               |
| <b>Increase (decrease) in reserve for inventory</b> | (1,654)             | 753  | (901)                                   |
| <b>Fund balances at end of year</b>                 | <u>\$ 4,228,889</u> | <u>\$ 128,094</u>                          | <u>\$ 4,356,983</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|  |            |                |
|--|------------|----------------|
| <b>Net change in fund balances - total governmental funds</b>  | \$         | 537,567        |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>  |            |                |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.                                       |            |                |
| Capital asset additions  | \$ 776,636 |                |
| Current year depreciation  | (400,594)  |                |
| Total  |            | 376,042        |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.  |            |                |
|  |            | (230,753)      |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.   |            |                |
|  |            | (901)          |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |            |                |
| Property taxes   | (80,700)   |                |
| Payment in lieu of taxes   | (1)        |                |
| Earnings on investments  | 35         |                |
| Intergovernmental  | 22,725     |                |
| Total  |            | (57,941)       |
| Repayment of loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:                      |            |                |
| Loans  | 62,651     |                |
| Capital leases   | 159,211    |                |
| Total  |            | 221,862        |
| The net effect of trading in capital lease obligations before the end of the agreements is to decrease liabilities on the statement of net position.   |            |                |
|  |            | 33,566         |
| Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. |            |                |
|  |            | (512,173)      |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.                           |            |                |
|  |            | 21,177         |
| <b>Change in net position of governmental activities</b>   | <b>\$</b>  | <b>388,446</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|   | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|---------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>        |                     |   |
| <b>Revenues:</b>  |                         |                     |                     |   |
| From local sources:                                       |                         |                     |                     |   |
| Property taxes  | \$ 2,259,754            | \$ 2,442,101        | \$ 2,442,100        | \$ (1)  |
| Income taxes  | 793,523                 | 857,555             | 857,555             |   |
| Payment in lieu of taxes                                  | 835                     | 903                 | 1,806               | 903   |
| Tuition   | 1,203,435               | 1,300,544           | 1,409,987           | 109,443   |
| Earnings on investments                                   | 6,697                   | 7,237               | 9,708               | 2,471   |
| Classroom materials and fees                              | 29,898                  | 32,311              | 34,166              | 1,855   |
| Other local revenues                                      | 463                     | 500                 | 1,846               | 1,346   |
| Intergovernmental - State                                 | 2,947,963               | 3,185,843           | 3,202,300           | 16,457  |
| Intergovernmental - Federal                               | 17,133                  | 18,515              | 20,251              | 1,736   |
| <b>Total revenues</b>                                     | <u>7,259,701</u>        | <u>7,845,509</u>    | <u>7,979,719</u>    | <u>134,210</u>  |
| <b>Expenditures:</b>                                      |                         |                     |                     |   |
| Current:  |                         |                     |                     |   |
| Instruction:  |                         |                     |                     |   |
| Regular   | 4,007,894               | 4,007,894           | 3,952,623           | 55,271  |
| Special   | 538,633                 | 538,633             | 528,383             | 10,250  |
| Vocational  | 57,795                  | 57,795              | 57,143              | 652   |
| Other   | 325,050                 | 325,050             | 319,782             | 5,268   |
| Support services:   |                         |                     |                     |   |
| Pupil   | 281,380                 | 281,380             | 274,197             | 7,183   |
| Instructional staff                                       | 308,130                 | 308,130             | 289,425             | 18,705  |
| Board of education  | 37,459                  | 37,459              | 34,396              | 3,063   |
| Administration  | 626,947                 | 626,947             | 612,202             | 14,745  |
| Fiscal  | 333,092                 | 333,092             | 327,380             | 5,712   |
| Operations and maintenance                                | 638,862                 | 638,862             | 627,658             | 11,204  |
| Pupil transportation                                      | 271,479                 | 271,479             | 262,494             | 8,985   |
| Central   | 31,765                  | 31,765              | 31,056              | 709   |
| Other non-instructional services                          | 12,270                  | 12,270              | 11,162              | 1,108   |
| Extracurricular activities                                | 294,945                 | 294,945             | 280,863             | 14,082  |
| <b>Total expenditures</b>                                 | <u>7,765,701</u>        | <u>7,765,701</u>    | <u>7,608,764</u>    | <u>156,937</u>  |
| Excess (deficiency) of revenues over (under) expenditures | <u>(506,000)</u>        | <u>79,808</u>       | <u>370,955</u>      | <u>291,147</u>  |
| <b>Other financing sources (uses):</b>                    |                         |                     |                     |   |
| Refund of prior year's expenditures                       | 17,836                  | 19,275              | 19,275              |   |
| Transfers (out)   | (104,610)               | (104,610)           | (104,610)           |   |
| Advances (out)  | (12,510)                | (12,510)            | (12,510)            |   |
| Sale of capital assets                                    | 1,389                   | 1,501               | 1,765               | 264   |
| <b>Total other financing sources (uses)</b>               | <u>(97,895)</u>         | <u>(96,344)</u>     | <u>(96,080)</u>     | <u>264</u>  |
| Net change in fund balance                                | (603,895)               | (16,536)            | 274,875             | 291,411   |
| <b>Fund balance at beginning of year</b>                  | 3,619,591               | 3,619,591           | 3,619,591           |   |
| <b>Prior year encumbrances appropriated</b>               | 192,868                 | 192,868             | 192,868             |   |
| <b>Fund balance at end of year</b>                        | <u>\$ 3,208,564</u>     | <u>\$ 3,795,923</u> | <u>\$ 4,087,334</u> | <u>\$ 291,411</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

|  | <b>Private Purpose<br/>Trust</b> |               |
|--|----------------------------------|---------------|
|  | <b>Scholarship</b>               | <b>Agency</b> |
| <b>Assets:</b>                           |                                  |               |
| Equity in pooled cash<br>and investments | \$ 39,700                        | \$ 41,232     |
| Receivables:                             |                                  |               |
| Accounts                                 |                                  | 145           |
| Total assets                             | \$ 39,700                        | \$ 41,377     |
| <b>Liabilities:</b>                      |                                  |               |
| Intergovernmental payable                |                                  | \$ 25         |
| Due to students                          |                                  | 41,352        |
| Total liabilities                        |                                  | \$ 41,377     |
| <b>Net position:</b>                     |                                  |               |
| Held in trust for scholarships           | \$ 39,700                        |               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

|   | <b>Private Purpose<br/>Trust</b> |
|---|----------------------------------|
|   | <b>Scholarship</b>               |
| <b>Additions:</b>                                 |                                  |
| Interest. . . . .                                 | \$ 10                            |
| Gifts and contributions. . . . .                  | 1,400                            |
| Total additions. . . . .                          | 1,410                            |
| <b>Deductions:</b>                                |                                  |
| Scholarships awarded . . . . .                    | 2,950                            |
| Change in net position . . . . .                  | (1,540)                          |
| <b>Net position at beginning of year. . . . .</b> | <b>41,240</b>                    |
| <b>Net position at end of year . . . . .</b>      | <b>\$ 39,700</b>                 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1938 through the consolidation of existing land areas and school districts. The District serves an area of approximately fifty-five square miles. It is located in Defiance County. The District is staffed by 29 classified employees and 58 certified employees, which includes 4 administrative personnel, who provide services to 801 students and other community members. The District currently operates one instructional building and one bus garage.

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

The 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 District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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).

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association - The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA were \$63,162. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Northern Buckeye Education Council - The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC were \$250. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Four County Career Center - The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; and one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to the Four County Career Center during this fiscal year were \$55,792. To obtain financial information write to Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Northwestern Ohio Education Research Council, Inc. - Northwestern Ohio Education Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Total disbursements made by the District to NOERC during this fiscal year were \$200. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

State Support Team Region One - State Support Teams address school improvement through their role in the implementation of the Ohio Improvement Process (OIP). The State Support Team Region 1 builds capacity region-wide through facilitating and supporting district-wide OIP implementation and providing technical assistance and coaching to school teams and learning communities. The State Support Team Region 1 is located at 2275 Collingwood Boulevard, Suite C, Toledo, Ohio 43620.

*GROUP PURCHASING POOLS*

Optimal Health Initiative Consortium (OHI) Insurance Benefits Program - The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code § 9.833. The Pool is a public entity shared risk pool consisting of educational entities throughout the State. The Pool is governed by OHI and its participating members.

The District contributed a total of \$777,882 to Northern Buckeye Health Plan, Northwest Division of OHI for all four employee insurance plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

Optimal Health Initiative Consortium (OHI) Workers' Compensation Group Rating Plan- The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan, Northern Division of OHI Worker's Compensation Group Rating Plan (WCGRP) was established on January 1, 2012 through NBHP as an insurance purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. NBHP has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

NBHP has retained Sheakley Uniservice as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$892 to the WCGRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program - The District participates in the Southwestern Ohio Educational Purchasing Council Liability, Fleet and Property Program (LFP). The LFP's business and affairs are conducted by a six member committee consisting of various LFP representatives that are elected by the general assembly. The purpose of the LFP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participants.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

Governmental funds focus 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, deferred outflows and liabilities and deferred inflows is reported as fund balance. The following is the District's major governmental fund:

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 only trust fund is a private purpose trust, which primarily accounts for scholarship programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student managed activities.

**C. Basis of Presentation**

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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of 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 all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange 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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before grant's timing requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are 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.

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2014 is as follows.

1. 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 purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.)

Board adopted appropriations 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 appropriations at the legal level of control.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions within a fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2014. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final budgeted appropriations for fiscal year 2014.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the object level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. 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 investments" on the basic financial statements.

During fiscal year 2014, investments were limited to federal agency securities, commercial paper, a U.S. government money market mutual fund, and the State Treasury Asset Reserve (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2014. 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 shares 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 revenues credited to the General Fund during fiscal year 2014 amounted to \$14,384, which includes \$1,835 assigned from other District funds.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 reported as “equity in pooled cash and investments.” Investments with an original maturity of more than three months that are not made from the pool are reported as “investments.”

An analysis of the District’s investments at year end is provided in Note 4.

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**H. Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions 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 \$250. 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. Interest incurred during the construction of capital assets is not capitalized for governmental activities.

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

| <u>Description</u>     | <u>Governmental<br/>Activities<br/>Estimated Lives</u> |
|------------------------|--|
| Land improvements      | 20 years   |
| Buildings/improvements | 25 - 50 years  |
| Furniture/equipment    | 5 - 20 years   |
| Vehicles               | 6 - 10 years   |
| Textbooks              | 5 years  |

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and 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 using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

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

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.

**J. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and 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. Capital leases are recognized as a liability in the fund financial statements when due.

**K. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally 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 are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 (the highest level of decision making authority). 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 those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**L. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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.

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the statement of net position and the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**N. Estimates**

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

**O. 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 governments or imposed by enabling legislation. Restricted assets include the amount set aside for the purchase of school buses.

**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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Q. Interfund Balances**

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

**R. Extraordinary and Special Items**

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balance**

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

| <u>Nonmajor Fund</u> | <u>Deficit</u> |
|----------------------|----------------|
| Food Service Fund    | \$33,503       |

The General Fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**NOTE 4 - 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At fiscal year end, the District had \$770 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and investments”.

**B. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$3,045,177. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$274,839 of the District’s bank balance of \$3,184,908 was exposed to custodial risk as discussed below, while \$2,910,069 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

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

| <u>Investment type</u>            | <u>Fair value</u>   | <u>Investment Maturities</u> |                        |                        |                               |
|-----------------------------------|---------------------|------------------------------|------------------------|------------------------|-------------------------------|
|                                   |                     | <u>6 months or less</u>      | <u>13 to 18 months</u> | <u>19 to 24 months</u> | <u>Greater than 24 months</u> |
| FHLB                              | \$ 321,169          | \$ -                         | \$ 129,954             | \$ 144,823             | \$ 46,392                     |
| FHLMC                             | 285,253             | -                            | -                      | 105,045                | 180,208                       |
| FNMA                              | 263,597             | -                            | -                      | 100,001                | 163,596                       |
| Commercial paper                  | 99,958              | 99,958                       | -                      | -                      | -                             |
| STAR Ohio                         | 723,333             | 723,333                      | -                      | -                      | -                             |
| U.S. Government money market fund | 32,622              | 32,622                       | -                      | -                      | -                             |
|                                   | <u>\$ 1,725,932</u> | <u>\$ 855,913</u>            | <u>\$ 129,954</u>      | <u>\$ 349,869</u>      | <u>\$ 390,196</u>             |

The weighted average maturity of investments is 1.10 years.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum of 180 days from the date of purchase.

*Credit Risk:* STAR Ohio and the U.S. Government money market mutual fund carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment in commercial paper is rated A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk 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 federal agency securities and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

| <u>Investment type</u>               | <u>Fair value</u>   | <u>% of Total</u> |
|--------------------------------------|---------------------|-------------------|
| FHLB                                 | \$ 321,169          | 18.61             |
| FHLMC                                | 285,253             | 16.53             |
| FNMA                                 | 263,597             | 15.27             |
| Commercial paper                     | 99,958              | 5.79              |
| STAR Ohio                            | 723,333             | 41.91             |
| U.S. Government<br>money market fund | <u>32,622</u>       | <u>1.89</u>       |
|                                      | <u>\$ 1,725,932</u> | <u>100.00</u>     |

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

| <u>Cash and investments per note</u> |                     |
|--------------------------------------|---------------------|
| Carrying amount of deposits          | \$ 3,045,177        |
| Investments                          | 1,725,932           |
| Cash on hand                         | <u>770</u>          |
| Total                                | <u>\$ 4,771,879</u> |

| <u>Cash and investments per statement of net position</u> |                     |
|---|---------------------|
| Governmental activities                                   | \$ 4,690,947        |
| Private-purpose trust fund                                | 39,700              |
| Agency fund   | <u>41,232</u>       |
| Total   | <u>\$ 4,771,879</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2014 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

| <u>Receivable Fund</u> | <u>Payable Fund</u>         | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General Fund           | Nonmajor governmental funds | \$ 12,510     |

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.

- B. Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

| <u>Transfers from General Fund to:</u> | <u>Amount</u> |
|--|---------------|
| Nonmajor governmental funds            | \$ 10,500     |

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

All transfers made in fiscal year 2014 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed 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 fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Defiance County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$290,000 in the General Fund, \$13,000 in the Permanent Improvement Fund, a nonmajor governmental fund, and \$10,500 in the Special Levy Fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$186,000 in the General Fund, \$8,100 in the Permanent Improvement Fund, a nonmajor governmental fund, and \$6,500 in the Special Levy Fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

|   | 2013 Second<br>Half Collections |                | 2014 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 81,583,200                   | 90.32          | \$ 81,778,150                  | 90.39          |
| Public utility personal                           | <u>8,739,390</u>                | <u>9.68</u>    | <u>8,691,150</u>               | <u>9.61</u>    |
| Total   | <u>\$ 90,322,590</u>            | <u>100.00</u>  | <u>\$ 90,469,300</u>           | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     |                                 |                |                                |                |
| Operations  | \$ 41.48                        |                | \$ 41.48                       |                |
| Permanent improvement                             | 2.00                            |                | 2.00                           |                |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 consisted of property taxes, income taxes, payments in lieu of taxes, accrued interest 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 receivables reported on the statement of net position follows:

| <b>Governmental Activities:</b> |                     |
|---------------------------------|---------------------|
| Property taxes                  | \$ 2,608,635        |
| Income taxes                    | 318,112             |
| Payments in lieu of taxes       | 985                 |
| Intergovernmental               | 85,881              |
| Accrued interest                | <u>942</u>          |
| Total                           | <u>\$ 3,014,555</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year; however, the status of any delinquent tax collections is unknown.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 8 - INCOME TAXES**

The District levies a voted income tax of one percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 2008 and was in effect for a period of five years, until December 31, 2012. In March 2012, voters renewed this levy for an additional five years, effective January 1, 2013 through December 31, 2017. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and amounted to \$882,377 for fiscal year 2014.

**NOTE 9 - PAYMENT IN LIEU OF TAXES**

The District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner's contractual promise to make these payments in lieu of taxes generally continues until the agreement expires.

**NOTE 10 - CAPITAL ASSETS**

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

|   | Balance              |                   |                     | Balance              |
|---|----------------------|-------------------|---------------------|----------------------|
|   | <u>June 30, 2013</u> | <u>Additions</u>  | <u>Deductions</u>   | <u>June 30, 2014</u> |
| <b>Governmental Activities</b>              |                      |                   |                     |                      |
| Capital assets, not being depreciated:      |                      |                   |                     |                      |
| Land  | \$ 148,406           | \$ -              | \$ -                | \$ 148,406           |
| Capital assets, being depreciated:          |                      |                   |                     |                      |
| Land improvements                           | 372,894              | 8,300             | -                   | 381,194              |
| Building/improvements                       | 3,160,753            | 83,300            | -                   | 3,244,053            |
| Furniture/equipment                         | 3,190,782            | 681,160           | (541,545)           | 3,330,397            |
| Vehicles                                    | 882,212              | -                 | -                   | 882,212              |
| Textbooks                                   | <u>745,346</u>       | <u>3,876</u>      | <u>-</u>            | <u>749,222</u>       |
| Total capital assets, being depreciated     | <u>8,351,987</u>     | <u>776,636</u>    | <u>(541,545)</u>    | <u>8,587,078</u>     |
| Less: accumulated depreciation              |                      |                   |                     |                      |
| Land improvements                           | (257,667)            | (17,851)          | -                   | (275,518)            |
| Building/improvements                       | (2,098,115)          | (64,605)          | -                   | (2,162,720)          |
| Furniture/equipment                         | (2,293,103)          | (243,486)         | 310,792             | (2,225,797)          |
| Vehicles                                    | (724,278)            | (57,209)          | -                   | (781,487)            |
| Textbooks                                   | <u>(723,848)</u>     | <u>(17,443)</u>   | <u>-</u>            | <u>(741,291)</u>     |
| Total accumulated depreciation              | <u>(6,097,011)</u>   | <u>(400,594)</u>  | <u>310,792</u>      | <u>(6,186,813)</u>   |
| Governmental activities capital assets, net | <u>\$ 2,403,382</u>  | <u>\$ 376,042</u> | <u>\$ (230,753)</u> | <u>\$ 2,548,671</u>  |

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

**NOTE 10 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

|                              |                   |
|------------------------------|-------------------|
| <u>Instruction:</u>          |                   |
| Regular                      | \$ 194,274        |
| Special                      | 7,774             |
| Vocational                   | 4,367             |
| Other                        | 2,509             |
| <br><u>Support services:</u> |                   |
| Pupil                        | 2,152             |
| Instructional staff          | 32,741            |
| Administration               | 7,609             |
| Fiscal                       | 2,558             |
| Operations and maintenance   | 71,236            |
| Pupil transportation         | 54,790            |
| Food service operations      | 5,289             |
| Extracurricular activities   | <u>15,295</u>     |
| Total depreciation expense   | <u>\$ 400,594</u> |

**NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE**

The District entered into capital leases for the acquisition of copiers in fiscal years 2009, 2011, 2012 and 2014. Additionally, in fiscal years 2011, 2012 and 2014, the District entered into capital leases for the acquisition of laptop computers for the one-to-one laptop initiative for high school students. All leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, all leases were accounted for as an other financing source and a capital outlay expenditure in the General Fund. Capital lease payments have been reclassified and shown as debt service expenditures in the General Fund and the Permanent Improvement Fund, a nonmajor governmental fund. These expenditures will be reflected as function expenditures on a budgetary basis. The general capital assets acquired by these capital leases have been capitalized in the governmental activities on the statement of net position in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability has been recorded in the governmental activities on the statement of net position. Principal payments made during fiscal year 2014 totaled \$13,814 for the copiers, and \$145,397 for the computers. During fiscal year 2014, the District traded-in the copier capital leases entered into in fiscal years 2009, 2011 and 2012, which resulted in a gain of \$33,566. This amount is shown as a reduction of the long-term liability.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2014.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 11 – CAPITAL LEASES – LESSEE DISCLOSURE - (Continued)**

| <u>Fiscal year ending June 30,</u> | <u>Copiers</u>   | <u>Computers</u>  | <u>Total</u>      |
|------------------------------------|------------------|-------------------|-------------------|
| 2015                               | \$ 21,045        | \$ 108,598        | \$ 129,643        |
| 2016                               | 21,045           | 108,598           | 129,643           |
| 2017                               | 21,045           | 108,598           | 129,643           |
| 2018                               | 21,045           | -                 | 21,045            |
| 2019                               | 1,754            | -                 | 1,754             |
| Total minimum lease payment        | 85,934           | 325,794           | 411,728           |
| Less amount representing interest  | <u>(12,830)</u>  | <u>(9,137)</u>    | <u>(21,967)</u>   |
| Total                              | <u>\$ 73,104</u> | <u>\$ 316,657</u> | <u>\$ 389,761</u> |

**NOTE 12 - LONG-TERM OBLIGATIONS**

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

|  | <u>Balance</u>       |                   |                     | <u>Balance</u>       | <u>Amounts</u>    |
|--|----------------------|-------------------|---------------------|----------------------|-------------------|
|  | <u>June 30, 2013</u> | <u>Increase</u>   | <u>Decrease</u>     | <u>June 30, 2014</u> | <u>Due in</u>     |
|  |                      |                   |                     |                      | <u>One Year</u>   |
| <b>Governmental Activities:</b>                        |                      |                   |                     |                      |                   |
| Compensated absences payable                           | \$ 706,027           | \$ 105,688        | \$ (161,353)        | \$ 650,362           | \$ 105,212        |
| Installment loan                                       | 62,651               | -                 | (62,651)            | -                    | -                 |
| Capital lease - copiers                                | 33,566               | 86,918            | (47,380)            | 73,104               | 15,767            |
| Capital lease - computers                              | <u>36,799</u>        | <u>425,255</u>    | <u>(145,397)</u>    | <u>316,657</u>       | <u>104,051</u>    |
| Total governmental activities<br>long-term liabilities | <u>\$ 839,043</u>    | <u>\$ 617,861</u> | <u>\$ (416,781)</u> | <u>\$ 1,040,123</u>  | <u>\$ 225,030</u> |

The installment loan was issued to finance the purchase of computer equipment. The loan was issued August 15, 2012 and matures August 16, 2014. The interest rate is 2.79%. The District made the final installment loan payments during fiscal year 2014, which completely retired this obligation.

Compensated absences will be paid from the General Fund.

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$8,134,118 and an unvoted debt margin of \$90,379.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 13 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Twelve month classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Up to three years' vacation time may be accumulated. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for both classified and certified employees with less than 25 years of service, and up to a maximum of two hundred and ten days once 25 years of service is achieved. Upon retirement, payment is made for twenty-five percent of accrued, plus five days if the accumulation is greater than 200 days, plus three days if notice of retirement is received by the Superintendent prior to March 1, to a maximum of fifty-eight days.

**NOTE 14 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative (OHI) Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the OHI for the benefits offered to its employees, which includes health, dental, vision, and life insurance plans. Northern Buckeye Health Plan is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal of the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Health Plan, Northern Division of OHI (NBHP) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Plan is governed by NBHP and the participating members of the Plan. The Executive Director of NBHP coordinates the management and administration of the program.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 15 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$105,338, \$101,553, and \$100,597, respectively; which equaled the required contributions each year.

**B. State Teachers Retirement System of Ohio**

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 15 - PENSION PLANS – (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$504,385, \$505,847, and \$492,081, respectively; 92 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$830 made by the District and \$652 made by the plan members

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250. The District's SERS surcharge amount for 2014 was \$14,204.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$15,329, \$13,248, and \$10,323, respectively, which equaled the required contributions each year.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 16 - POSTEMPLOYMENT BENEFITS – (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,111, \$5,737, and \$5,941, respectively; 80 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$38,799, \$38,911, and \$37,852, respectively; 92 percent has been contributed for fiscal year 2014 and 100 percent has been contributed for fiscal years 2013 and 2012.

**NOTE 17 - 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 and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund is as follows:

**Net Change in Fund Balance**

|   | <u>General Fund</u> |
|---|---------------------|
| Budget basis                            | \$ 274,875          |
| Net adjustment for revenue accruals     | 139,443             |
| Net adjustment for expenditure accruals | (510,829)           |
| Net adjustment for other sources/uses   | 505,408             |
| Funds budgeted elsewhere                | 82,222              |
| Adjustment for encumbrances             | 69,318              |
| GAAP basis                              | \$ 560,437          |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Special Trust Fund, the Public School Support Fund, the Termination Benefits Fund, and the Management Information System Fund.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous Federal, State and local 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.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 18 – CONTINGENCIES – (Continued)**

**B. Litigation**

The District is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**NOTE 19 - SET-ASIDES**

The District is required by State law to annually set-aside certain General Fund revenue amounts, as defined by 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

|                                      | <u>Capital<br/>Improvements</u> |
|--------------------------------------|---------------------------------|
| Set-aside balance June 30, 2013      | \$ -                            |
| Current year set-aside requirement   | 131,303                         |
| Current year qualifying expenditures | (30,250)                        |
| Current year offsets                 | <u>(146,946)</u>                |
| Total                                | <u>\$ (45,893)</u>              |

In addition to the above statutory set-asides, the District also has \$1,056 in monies restricted for school bus purchases.

**NOTE 20 - FUND BALANCE**

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 resources in the governmental funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

| Fund Balance                     | General Fund        | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------|---------------------|-----------------------------------|--------------------------------|
| Nonspendable:                    |                     |                                   |                                |
| Materials and supplies inventory | \$ 5,883            | \$ 2,716                          | \$ 8,599                       |
| Prepays                          | <u>11,997</u>       | <u>1,350</u>                      | <u>13,347</u>                  |
| Total nonspendable               | <u>17,880</u>       | <u>4,066</u>                      | <u>21,946</u>                  |
| Restricted:                      |                     |                                   |                                |
| Capital improvements             | -                   | 52,386                            | 52,386                         |
| Natatorium operations            | -                   | 79,908                            | 79,908                         |
| Extracurricular                  | -                   | 20,516                            | 20,516                         |
| Targeted academic assistance     | -                   | 4,692                             | 4,692                          |
| School bus purchases             | 1,056               | -                                 | 1,056                          |
| Other purposes                   | <u>-</u>            | <u>3,562</u>                      | <u>3,562</u>                   |
| Total restricted                 | <u>1,056</u>        | <u>161,064</u>                    | <u>162,120</u>                 |
| Committed:                       |                     |                                   |                                |
| Student and staff support        | 3,600               | -                                 | 3,600                          |
| Termination benefits             | <u>225,849</u>      | <u>-</u>                          | <u>225,849</u>                 |
| Total committed                  | <u>229,449</u>      | <u>-</u>                          | <u>229,449</u>                 |
| Assigned:                        |                     |                                   |                                |
| Student instruction              | 53,509              | -                                 | 53,509                         |
| Student and staff support        | 116,176             | -                                 | 116,176                        |
| Subsequent year's appropriations | 559,216             | -                                 | 559,216                        |
| Other purposes                   | <u>4,686</u>        | <u>-</u>                          | <u>4,686</u>                   |
| Total assigned                   | <u>733,587</u>      | <u>-</u>                          | <u>733,587</u>                 |
| Unassigned (deficit)             | <u>3,246,917</u>    | <u>(37,036)</u>                   | <u>3,209,881</u>               |
| Total fund balances              | <u>\$ 4,228,889</u> | <u>\$ 128,094</u>                 | <u>\$ 4,356,983</u>            |

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

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

**NOTE 21 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u>              | Year-End<br><u>Encumbrances</u> |
|--------------------------|---------------------------------|
| General Fund             | \$ 63,741                       |
| Other governmental funds | <u>22,216</u>                   |
| Total                    | <u>\$ 85,957</u>                |

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**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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

| <b>FEDERAL GRANTOR<br/>Pass Through Grantor<br/>Program Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Receipts</b>         | <b>Expenditures</b>     |
|---|------------------------------------|-------------------------|-------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>                    |                                    |                         |                         |
| <i>Passed Through Ohio Department of Education</i>                |                                    |                         |                         |
| Nutrition Cluster:  |                                    |                         |                         |
| National School Lunch Program                                     |                                    |                         |                         |
| Cash Assistance   | 10.555                             | \$115,497               | \$115,497               |
| Non-Cash Assistance (Food Distribution)                           | 10.555                             | 10,684                  | 10,684                  |
| Total National School Lunch Program                               |                                    | <u>126,181</u>          | <u>126,181</u>          |
| School Breakfast Program  | 10.553                             | <u>3,506</u>            | <u>3,506</u>            |
| Total Nutrition Cluster   |                                    | <u>129,687</u>          | <u>129,687</u>          |
| <b>UNITES STATES DEPARTMENT OF EDUCATION</b>                      |                                    |                         |                         |
| <i>Passed Through Ohio Department of Education</i>                |                                    |                         |                         |
| Title I Grants to Local Educational Agencies                      | 84.010                             | 88,475                  | 88,429                  |
| Special Education Cluster:  |                                    |                         |                         |
| Special Education Grants to States                                | 84.027                             | 141,581                 | 141,581                 |
| Special Education Preschool Grants                                | 84.173                             | 1,141                   | 1,141                   |
| Total Special Education Cluster                                   |                                    | <u>142,722</u>          | <u>142,722</u>          |
| Twenty-First Century Community Learning Centers                   | 84.287                             | 167,840                 | 167,603                 |
| Improving Teacher Quality State Grants                            | 84.367                             | 24,985                  | 24,984                  |
| ARRA - Race to the Top Incentive Grants                           | 84.395                             |                         | <u>350</u>              |
| Total United States Department of Education                       |                                    | <u>424,022</u>          | <u>424,088</u>          |
| <b>Total Federal Awards Receipts and Expenditures</b>             |                                    | <u><u>\$553,709</u></u> | <u><u>\$553,775</u></u> |

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amounts passed through to its subrecipient were \$142,722.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Ayersville Local School District  
Defiance County  
28046 Watson Road  
Defiance, Ohio 43512-8756

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ayersville Local School District, Defiance 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 and have issued our report thereon dated January 27, 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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 27, 2015



# Dave Yost • Auditor of State

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

Ayersville Local School District  
Defiance County  
28046 Watson Road  
Defiance, Ohio 43512-8756

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

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

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

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

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

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 programs. However, our audit does not provide a legal determination of the District's compliance.

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

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

**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 each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 27, 2015

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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

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

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                  | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                       | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510(a)?</b>   | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Twenty-First Century Community Learning Centers<br>CFDA #84.287<br><br>Special Education Cluster:<br>Special Education Grants to States<br>CFDA #84.027 and<br>Special Education Preschool Grants<br>CFDA #84.173 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others  |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | No  |

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



# Dave Yost • Auditor of State

**AYERSVILLE LOCAL SCHOOL DISTRICT**

**DEFIANCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2015**