



Dave Yost • Auditor of State

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Belpre City School District
Washington County
2014 Rockland Avenue
Belpre, Ohio 45714

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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 School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015

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**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$581,831.
- General revenues accounted for \$8,557,987 in revenue or 72.32% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,275,087 or 27.68% of total revenues of \$11,833,074.
- The School District had \$11,251,243 in expenses related to governmental activities; only \$3,275,087 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,557,987 were adequate to provide for these programs.
- The School District's major governmental fund is the General Fund. The General Fund had \$9,749,186 in revenues and \$9,473,008 in expenditures. During fiscal year 2014, the General Fund's fund balance increased \$276,178 from a balance of \$779,229 to a balance of \$1,055,407.

Using the Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is the most significant fund, and the only governmental fund reported as a major fund.

Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 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 will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

In the statement of net position and the statement of activities, the governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, and food service operations.

The School District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-20 of this report.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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. These notes to the basic financial statements can be found on pages 25-48 of this report.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

The School District as a Whole

The table below provides a summary of the School District's net position at June 30, 2014 and June 30, 2013:

	Net Position	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 6,365,482	\$ 5,726,951
Capital assets, net	<u>6,294,301</u>	<u>5,820,643</u>
Total assets	<u>12,659,783</u>	<u>11,547,594</u>
<u>Liabilities</u>		
Current liabilities	1,202,819	1,105,461
Long-term liabilities	<u>1,014,171</u>	<u>532,966</u>
Total liabilities	<u>2,216,990</u>	<u>1,638,427</u>
Deferred inflows of resources	<u>3,294,392</u>	<u>3,342,597</u>
Total liabilities and deferred inflows of resources	<u>5,511,382</u>	<u>4,981,024</u>
Net investment in capital assets	5,724,301	5,820,643
Restricted	624,667	103,251
Unrestricted	<u>799,433</u>	<u>642,676</u>
Total net position	<u>\$ 7,148,401</u>	<u>\$ 6,566,570</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School District's assets exceeded liabilities and deferred inflows of resources by \$7,148,401.

At year-end, capital assets represented 49.72% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Investment in capital assets at June 30, 2014, was \$5,724,301. These capital assets are used to provide services to the students and are not available for future spending.

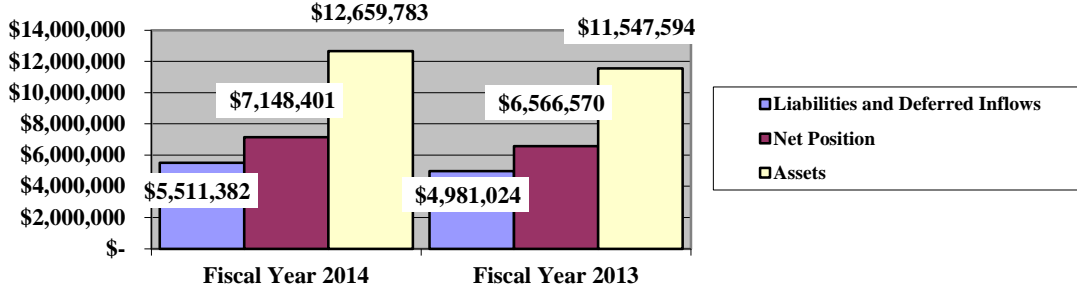
A portion of the School District's net position, \$624,667, represents resources that are subject to external restriction on how they may be used. The School District had a remaining balance of unrestricted net position of \$799,433.

The table below provides a summary of the School District's assets, liabilities and deferred inflows and net position for fiscal years 2014 and 2013:

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

Governmental Activities



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

Change in Net Position

	Governmental Activities 2014	Governmental Activities 2013
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 784,991	\$ 714,482
Operating grants and contributions	2,490,096	1,758,415
General revenues:		
Property taxes	3,139,666	3,370,007
Grants and entitlements	5,377,804	4,975,219
Investment earnings	39,920	38,542
Other	597	42,679
Total revenues	<u>11,833,074</u>	<u>10,899,344</u>

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

Change in Net Position

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,524,774	\$ 3,544,995
Special	1,950,370	2,110,841
Vocational	-	172
Other	1,017,147	910,139
Support services:		
Pupil	685,621	545,847
Instructional staff	597,627	456,824
Board of education	77,635	55,113
Administration	823,348	864,514
Fiscal	365,581	396,388
Business	924	-
Operations and maintenance	995,883	1,119,921
Pupil transportation	416,995	413,760
Central	7,526	2,242
Operations of non-instructional:		
Food service operations	467,615	435,637
Other non-instructional services	3,555	372
Extracurricular activities	289,945	302,176
Interest and fiscal charges	11,808	-
Bond issuance costs	<u>14,889</u>	<u>-</u>
 Total expenses	 <u>11,251,243</u>	 <u>11,158,941</u>
 Change in net position	 581,831	 (259,597)
 Net position at beginning of year	 <u>6,566,570</u>	 <u>6,826,167</u>
 Net position at end of year	 <u>\$ 7,148,401</u>	 <u>\$ 6,566,570</u>

Governmental Activities

Net position of the School District's governmental activities increased \$581,831. Total governmental expenses of \$11,251,243 were offset by program revenues of \$3,275,087 and general revenues of \$8,557,987. Program revenues supported 29.11% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 71.98% of total governmental revenue. Real estate property is reappraised every six years.

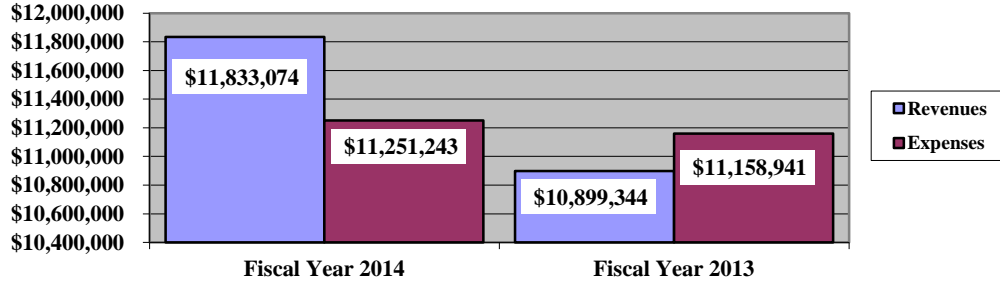
The largest expense of the School District is for instructional programs. Instruction expenses totaled \$6,492,291 or 57.70% of total governmental expenses for fiscal year 2014.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

Governmental Activities - Revenues and Expenses



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.

Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 3,524,774	\$ 2,545,229	\$ 3,544,995	\$ 2,800,812
Special	1,950,370	860,441	2,110,841	1,203,043
Vocational	-	-	172	(537)
Other	1,017,147	964,976	910,139	870,319
Support services:				
Pupil	685,621	643,315	545,847	529,914
Instructional staff	597,627	90,932	456,824	266,206
Board of education	77,635	77,635	55,113	55,113
Administration	823,348	823,348	864,514	864,514
Fiscal	365,581	365,581	396,388	396,388
Business	924	924	-	-
Operations and maintenance	995,883	984,779	1,119,921	1,106,789
Pupil transportation	416,995	386,783	413,760	391,658
Central	7,526	10	2,242	2,242
Operation of non-instructional:				
Food service operations	467,615	(930)	435,637	(4,583)
Other non-instructional services	3,555	-	372	372
Extracurricular activities	289,945	206,436	302,176	203,794
Interest and fiscal charges	11,808	11,808		
Bond issuance costs	14,889	14,889	-	-
Total expenses	<u>\$ 11,251,243</u>	<u>\$ 7,976,156</u>	<u>\$ 11,158,941</u>	<u>\$ 8,686,044</u>

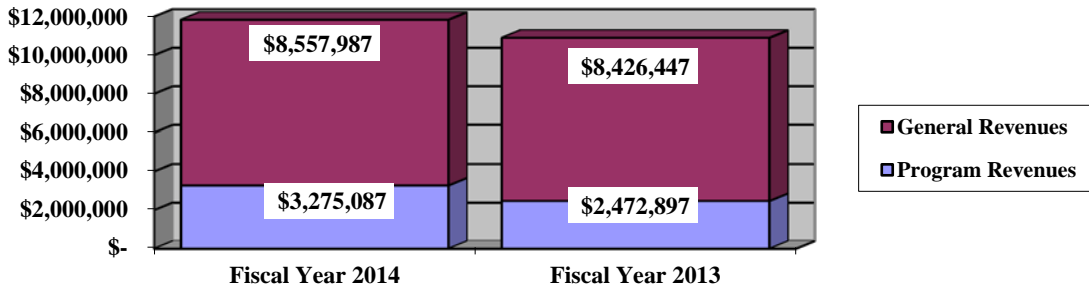
**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

The dependence upon tax and other general revenues for governmental activities is apparent, 67.32% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 70.89%. The School District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the School District's students.

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

Governmental Activities - General and Program Revenues



The School District's Funds

The School District's governmental funds (as presented on page 17) reported a combined fund balance of \$1,131,501 which is more than last year's balance of \$851,797. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance (deficit) June 30, 2013	Increase (Decrease)
General	\$ 1,055,407	\$ 779,229	\$ 276,178
Other Governmental	<u>180,816</u>	<u>72,568</u>	<u>108,248</u>
Total	<u>\$ 1,236,223</u>	<u>\$ 851,797</u>	<u>\$ 384,426</u>

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

General Fund

The School District's general fund's fund balance increased by \$271,298.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 3,297,954	\$ 3,424,777	\$ (126,823)	(3.70) %
Tuition and fees	551,968	501,840	50,128	9.99 %
Earnings on investments	39,924	38,535	1,389	3.60 %
Intergovernmental	5,815,578	5,341,129	474,449	8.88 %
Other revenues	<u>43,762</u>	<u>49,368</u>	<u>(5,606)</u>	<u>(11.36) %</u>
Total	<u>\$ 9,749,186</u>	<u>\$ 9,355,649</u>	<u>\$ 393,537</u>	<u>4.21 %</u>
<u>Expenditures</u>				
Instruction	\$ 5,584,115	\$ 5,709,012	\$ (124,897)	(2.19) %
Support services	3,576,408	3,440,000	136,408	3.97 %
Operation of non-instructional services	-	372	(372)	100.00 %
Extracurricular activities	177,610	197,333	(19,723)	(9.99) %
Facilities acquisition and construction	122,951	117,894	5,057	4.29 %
Debt service	<u>11,924</u>	<u>-</u>	<u>11,924</u>	<u>100.00 %</u>
Total	<u>\$ 9,473,008</u>	<u>\$ 9,464,611</u>	<u>\$ 8,397</u>	<u>0.09 %</u>

Revenues of the general fund increased \$393,537 or 4.21%. Tuition and fees increased \$50,128 or 9.99% due to an increase in student activity fees and an increase in open enrollment throughout the District. Other revenues decreased \$5,606 or 11.36%. This is mainly due to a refund being received for fiscal year 2013 activity from the Bureau of Workers Compensation by the School District not being received again in fiscal year 2014. All other revenues remained comparable to prior years.

Expenditures of the general fund increased \$8,397 or 0.09%. The \$11,924 or 100.00% increase in debt service is due to interest on the new energy conservation bond that was issued in fiscal year 2014 being paid out of the general fund. All other expenditures remained comparable to prior years.

General Fund Budgeting Highlights

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

For the General Fund, final budgeted revenues and other financing sources were \$10,981,310, which was more than the original budgeted revenues and other financing sources estimate of \$10,682,228. Actual revenues and other financing sources for fiscal year 2014 were \$9,989,552. This represents a \$991,758 decrease from final budgeted revenues.

General Fund original appropriations (appropriated expenditures plus other financing uses) of \$10,267,942 remained the same in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$9,693,325, which was \$574,617 less than the final budget appropriations.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$6,294,301 invested in land, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2014 balances compared to June 30, 2013:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 1,232,814	\$ 1,232,814
Building and improvements	3,843,794	3,288,784
Furniture and equipment	832,307	874,648
Vehicles	<u>385,386</u>	<u>424,397</u>
Total	<u>\$ 6,294,301</u>	<u>\$ 5,820,643</u>

The overall increase in capital assets of \$473,658 is primarily due to the additions of capital assets of \$739,578 exceeding the depreciation expense of \$265,403 and net disposal of assets costs of \$517 for fiscal year 2014.

See Note 8 to the basic financial statements for additional information on the School District's capital assets.

Debt Administration

At June 30, 2013, the District had \$570,000 in energy conservation bond obligations. Of this total, \$30,000 is due within one year and \$540,000 is due in greater than one year. The following table summarizes the debt outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
Energy conservation bond obligations	<u>\$ 570,000</u>	<u>\$ -</u>

At June 30, 2014, the School District's overall legal debt margin was \$13,948,111 and the unvoted debt margin was \$154,979. See Note 9 to the basic financial statements for additional information on the School District's debt administration.

Current Financial Related Activities

The Board of Education and administration closely monitor revenues and expenditures in accordance with its financial forecast and work to prudently utilize, efficiently and effectively, the tax dollars and other resources available.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

The School District faces many challenges in today's environment and does not anticipate any meaningful growth in State revenue due to uncertainties surrounding the State budget and the State's unwillingness to adequately support school districts with higher property valuations per pupil. The School District relies heavily on its taxpayers to support its operations and asked the community in November 2009, to renew an Emergency Levy that will expire on December 31, 2014. The levy passed.

Based upon the current financial situation, with the renewal of the Emergency Levy, the School District will be able to maintain financial stability through 2014 by trimming expenses and living within the means provided. During fiscal year 2014 the Board undertook a House Bill 264 Energy Conservation Program Project to provide savings and improve facilities for the staff and students. Upon reviewing the School District's five-year forecast, deficit spending is projected in every forecasted year and will erode the cash balance by fiscal year 2015.

The School District is reviewing current programs and will use attrition as much as possible to reduce future costs.

The classified and certified staff rolled over their negotiated agreements through 2014.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer at Belpre City School District, 2014 Rockland Avenue, Belpre, Ohio 45714.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 2,039,114
Investments.	2,500
Receivables:	
Property taxes	3,559,317
Accounts.	837
Intergovernmental	728,219
Accrued interest	5
Materials and supplies inventory.	33,934
Inventory held for resale.	1,556
Capital assets:	
Nondepreciable capital assets	1,232,814
Depreciable capital assets, net.	5,061,487
Capital assets, net	<u>6,294,301</u>
 Total assets.	 <u>12,659,783</u>
 Liabilities:	
Accounts payable.	116,063
Accrued wages and benefits payable	811,049
Pension obligation payable.	173,541
Intergovernmental payable	101,462
Accrued interest payable	704
Long-term liabilities:	
Due within one year.	55,893
Due in more than one year.	958,278
 Total liabilities	 <u>2,216,990</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year. . .	<u>3,294,392</u>
 Net position:	
Net investment in capital assets	5,724,301
Restricted for:	
Permanent fund - expendable	5
Permanent fund - nonexpendable	4,474
Locally funded programs	26,989
State funded programs.	394,985
Federally funded programs	170,573
Student activities	19,843
Other purposes	7,798
Unrestricted	799,433
Total net position.	<u>\$ 7,148,401</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 3,524,774	\$ 557,932	\$ 421,613	\$ (2,545,229)
Special	1,950,370	11,755	1,078,174	(860,441)
Other	1,017,147	-	52,171	(964,976)
Support services:				
Pupil	685,621	23,846	18,460	(643,315)
Instructional staff	597,627	-	506,695	(90,932)
Board of education	77,635	-	-	(77,635)
Administration	823,348	-	-	(823,348)
Fiscal	365,581	-	-	(365,581)
Business	924	-	-	(924)
Operations and maintenance	995,883	3,025	8,079	(984,779)
Pupil transportation	416,995	-	30,212	(386,783)
Central	7,526	-	7,516	(10)
Operation of non-instructional services:				
Other non-instructional services	3,555	-	3,555	-
Food service operations	467,615	107,558	360,987	930
Extracurricular activities	289,945	80,875	2,634	(206,436)
Interest and fiscal charges	11,808	-	-	(11,808)
Bond issuance costs	14,889	-	-	(14,889)
Totals	\$ 11,251,243	\$ 784,991	\$ 2,490,096	(7,976,156)

General revenues:

Property taxes levied for:	
General purposes	3,139,666
Grants and entitlements not restricted	
to specific programs	5,377,804
Investment earnings	39,920
Miscellaneous	597
Total general revenues	8,557,987
Change in net position	581,831
Net position at beginning of year	6,566,570
Net position at end of year	\$ 7,148,401

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 1,831,040	\$ 202,130	\$ 2,033,170
Investments.	-	2,500	2,500
Receivables:			
Property taxes	3,559,317	-	3,559,317
Accounts	757	80	837
Intergovernmental.	73,764	654,455	728,219
Accrued interest	-	5	5
Materials and supplies inventory.	27,952	5,982	33,934
Inventory held for resale.	-	1,556	1,556
Restricted assets:			
Equity in pooled cash and cash equivalents . . .	5,944	-	5,944
Total assets.	<u>\$ 5,498,774</u>	<u>\$ 866,708</u>	<u>\$ 6,365,482</u>
Liabilities:			
Accounts payable	\$ 26,226	\$ 89,837	\$ 116,063
Accrued wages and benefits payable	704,548	106,501	811,049
Pension obligation payable	152,938	20,603	173,541
Intergovernmental payable	40,039	61,423	101,462
Total liabilities.	<u>923,751</u>	<u>278,364</u>	<u>1,202,115</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year. . .	3,294,392	-	3,294,392
Delinquent property tax revenue not available . . .	155,743	-	155,743
Accrued interest not available	-	5	5
Intergovernmental revenue not available	69,481	407,523	477,004
Total deferred inflows of resources	<u>3,519,616</u>	<u>407,528</u>	<u>3,927,144</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	27,952	7,538	35,490
Permanent fund	-	4,474	4,474
Restricted:			
Special education	-	28,234	28,234
Extracurricular.	-	19,843	19,843
Other purposes	1,854	189,441	191,295
School bus purchases	5,944	-	5,944
Committed:			
Capital improvements	-	32,033	32,033
Assigned:			
Student instruction	25,997	-	25,997
Student and staff support.	81,591	-	81,591
Public school support	19,318	-	19,318
Uniform school supplies	7,669	-	7,669
Adult education	2,388	-	2,388
Unassigned (deficit).	882,694	(100,747)	781,947
Total fund balances	<u>1,055,407</u>	<u>180,816</u>	<u>1,236,223</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,498,774</u>	<u>\$ 866,708</u>	<u>\$ 6,365,482</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

Total governmental fund balances		\$ 1,236,223
<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.		6,294,301
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 155,743	
Accrued interest receivable	5	
Intergovernmental receivable	477,004	
Total	477,004	632,752
Unamortized premiums on bonds issued are not recognized in the funds.		(14,189)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(704)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
Energy conservation bonds	(570,000)	
Compensated absences	(429,982)	
Total	(999,982)	(999,982)
Net position of governmental activities		\$ 7,148,401

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON 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>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 3,297,954	\$ -	\$ 3,297,954
Tuition	551,968	-	551,968
Earnings on investments	39,924	437	40,361
Charges for services	-	108,983	108,983
Extracurricular	23,846	80,875	104,721
Classroom materials and fees	17,719	-	17,719
Rental income	1,600	-	1,600
Contributions and donations	-	22,675	22,675
Other local revenues	597	2,909	3,506
Intergovernmental - State	5,797,945	177,075	5,975,020
Intergovernmental - Federal	17,633	1,406,671	1,424,304
Total revenues	<u>9,749,186</u>	<u>1,799,625</u>	<u>11,548,811</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,186,083	241,829	3,427,912
Special	1,439,229	497,029	1,936,258
Other	958,803	58,344	1,017,147
Support services:			
Pupil	659,110	13,782	672,892
Instructional staff	273,347	320,976	594,323
Board of education	77,574	-	77,574
Administration	819,116	-	819,116
Fiscal	375,914	-	375,914
Business	924	-	924
Operations and maintenance	991,897	5,793	997,690
Pupil transportation	375,812	2,651	378,463
Central	2,714	4,434	7,148
Operation of non-instructional services:			
Other non-instructional services	-	3,555	3,555
Food service operations	-	466,915	466,915
Extracurricular activities	177,610	99,286	276,896
Facilities acquisition and construction	122,951	546,903	669,854
Debt service:			
Interest and fiscal charges	11,924	-	11,924
Bond issuance costs	-	14,889	14,889
Total expenditures	<u>9,473,008</u>	<u>2,276,386</u>	<u>11,749,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>276,178</u>	<u>(476,761)</u>	<u>(200,583)</u>
Other financing sources:			
Premium on bonds sold	-	15,009	15,009
Sale of bonds	-	570,000	570,000
Total other financing sources	<u>-</u>	<u>585,009</u>	<u>585,009</u>
Net change in fund balances	276,178	108,248	384,426
Fund balances at beginning of year	<u>779,229</u>	<u>72,568</u>	<u>851,797</u>
Fund balances at end of year	<u>\$ 1,055,407</u>	<u>\$ 180,816</u>	<u>\$ 1,236,223</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

Net change in fund balances - total governmental funds \$ 384,426

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 739,578	
Current year depreciation	(265,403)	
Total		474,175

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (517)

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

Property taxes	(158,288)	
Earnings on investments	(4)	
Intergovernmental	448,942	
Total		290,650

Issuance of bonds 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. (570,000)

Premiums on bonds related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. (15,009)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This resulted in additional interest being reported in the statement of activities.

(Increase) decrease in accrued interest payable	(704)	
Amortization of bond premiums	820	
Total		116

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. 17,990

Change in net position of governmental activities \$ 581,831

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON 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>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,882,362	\$ 3,985,787	\$ 3,403,574	\$ (582,213)
Tuition	583,700	600,473	551,968	(48,505)
Earnings on investments	38,812	40,025	39,924	(101)
Classroom materials and fees	16,960	17,266	10,060	(7,206)
Rental income	4,153	4,201	1,600	(2,601)
Other local revenues	17,290	18,021	23,985	5,964
Intergovernmental - State	6,022,267	6,198,318	5,793,661	(404,657)
Intergovernmental - Federal	11,684	12,219	17,633	5,414
Total revenues	<u>10,577,228</u>	<u>10,876,310</u>	<u>9,842,405</u>	<u>(1,033,905)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,592,097	3,587,674	3,310,806	276,868
Special	1,488,996	1,476,664	1,463,443	13,221
Other	932,908	932,641	956,491	(23,850)
Support services:				
Pupil	656,526	656,348	641,143	15,205
Instructional staff	283,800	283,723	274,424	9,299
Board of education	70,887	70,862	90,375	(19,513)
Administration	849,206	848,978	820,491	28,487
Fiscal	426,207	429,601	381,750	47,851
Business	1,590	1,589	2,305	(716)
Operations and maintenance	1,174,683	1,174,391	1,048,102	126,289
Pupil transportation	532,190	532,083	384,862	147,221
Central	5,065	7,764	4,836	2,928
Operation of non-instructional services:				
Other non-instructional services	400	400	-	400
Extracurricular activities	198,413	198,363	178,985	19,378
Facilities acquisition and construction	50,888	50,854	122,951	(72,097)
Debt service:				
Interest and fiscal charges	86	12,007	11,924	83
Total expenditures	<u>10,263,942</u>	<u>10,263,942</u>	<u>9,692,888</u>	<u>571,054</u>
Excess expenditures over revenues	<u>313,286</u>	<u>612,368</u>	<u>149,517</u>	<u>(462,851)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	5,000	5,000	53,881	48,881
Refund of prior year's receipts	(1,000)	(1,000)	(437)	563
Transfers (out)	(10,000)	(10,000)	-	10,000
Advances in	100,000	100,000	93,266	(6,734)
Advances (out)	(3,000)	(3,000)	-	3,000
Total other financing sources (uses)	<u>91,000</u>	<u>91,000</u>	<u>146,710</u>	<u>55,710</u>
Net change in fund balance	404,286	703,368	296,227	(407,141)
Fund balance at beginning of year	1,238,803	1,238,803	1,238,803	-
Prior year encumbrances appropriated	148,567	148,567	148,567	-
Fund balance at end of year	<u>\$ 1,791,656</u>	<u>\$ 2,090,738</u>	<u>\$ 1,683,597</u>	<u>\$ (407,141)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 1,110	\$ 26,996
Investments.	2,500	-
Receivables:		
Accrued interest.	5	-
Total assets.	3,615	\$ 26,996
Liabilities:		
Intergovernmental payable	-	\$ 3,463
Due to students.	-	23,533
Total liabilities	-	\$ 26,996
Net position:		
Restricted for endowments.	2,500	
Held in trust for scholarships	1,115	
Total net position.	\$ 3,615	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	
Deductions:		
Scholarships awarded	\$	4
Change in net position		(4)
Net position at beginning of year		<u>3,619</u>
Net position at end of year	<u>\$</u>	<u>3,615</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's three instructional/support facilities staffed by 66 non-certified personnel, 66 certified full time teaching personnel and 6 administrators who provide services to 1,099 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School 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 School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's Governing Board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; or (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. 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 School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are the South Eastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, and the Portage Area School Consortium.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

South Eastern Ohio Voluntary Education Cooperative (SEOVEC)

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium 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. SEOVEC has 28 participants consisting of school districts in nine southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2014, the School District paid \$43,775 to SEOVEC. To obtain financial information, write to the Southeastern Ohio Voluntary Education Cooperative at 221 North Columbus Road, Athens, Ohio 45701.

Washington County Career Center

The Washington County Career Center, a joint vocational school, is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Ohio Valley Educational Service Center's Board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Joseph Crone, Treasurer, at 21740 SR 676, Marietta, Ohio 45750.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 32-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One is elected and one is appointed from each of the seven regions into which the 32 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2014. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

INSURANCE PURCHASING POOL

Portage Area School Consortium

The Portage Area School Consortium (the Consortium) is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts. The Consortium is a stand-alone entity, composed of two stand-alone Pools; the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. The School District only participates in the Health and Welfare Insurance Pool. These pools were established by the Consortium on August 5, 1988, to provide property and casualty risk management services and risk sharing to its members. The pools were established as local governmental risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

Ohio Revised Code Section 167.04 requires the Consortium to adopt bylaws designating the officers of the Consortium and their method of selection, creating a governing body to act for the Consortium, appointing a fiscal officer, and providing for the conduct of the Consortium's business. The Assembly is the legislative and managerial body of the Consortium. The Assembly is composed of representation of the member schools. The member school's governing body appoints representatives to the Consortium (usually the superintendent or designee). In the case of a member that is a school district, that representative shall be an executive appointed by the board of education. The Assembly serves without compensation. The Portage County Educational Service Center acts as the fiscal agent for the consortium. To obtain financial information, write to the Portage County Educational Service Center, Treasurer, at 326 East Main Street, Ravenna, Ohio 44266.

PUBLIC ENTITY RISK POOL

Workers' Compensation Group Rating Program

The School District participates in a Workers' Compensation Group Rating Program (GRP). The GRP is administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The School District pays a fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

GOVERNMENTAL FUNDS

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

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The School District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

D. Measurement Focus

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

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

E. 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. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

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

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

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

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

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014.

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

G. Encumbrances

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as components of restricted, committed or assigned fund balance, for subsequent year expenditures, for governmental funds. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis in the non-GAAP budgetary basis financial statements.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

H. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except for the investments of the permanent and private purpose trust funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2014, investments were limited to certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$39,924, which includes none assigned from other School District funds.

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

I. Inventory

On government-wide financial statements, purchased inventories are presented at lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method. At fiscal year end, because materials and supplies inventory are not available to finance future governmental fund expenditures, a nonspendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

J. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

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:

Description	Governmental Activities <u>Estimated Lives</u>
Buildings and improvements	30 - 150 years
Furniture and equipment	10 - 50 years
Vehicles	20 years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net position. At June 30, 2014, there were no interfund balances.

L. 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 School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The School District records an accrual for sick leave for certified employees with five years or more of service and for classified employees with eight years or more of service. The accrual amount is based upon accumulated sick leave and employees’ wage rates at year-end, taking into consideration any limits specified in the School District’s severance policy.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported

M. Accrued Liabilities and Long-Term Obligations

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

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

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for school bus purchases and unclaimed monies.

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

O. Unamortized Bond Premiums

Bond premiums are amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in 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. It also includes the long-term amount of loans receivable.

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.

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

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes, but do not meet the criteria to be classified as restricted 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 School 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 School 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.

Q. Budget Stabilization Arrangement

The School District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2014, the balance in the budget stabilization reserve was \$299,082. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

R. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Transfers between funds in the fund financial statements are eliminated in the statement of activities. During fiscal year 2014, there were no interfund transfers.

S. Estimates

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

T. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside for school bus purchases. These restricted assets are required by State statute. A schedule of statutory set-asides is presented in Note 16.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

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

U. Extraordinary and Special Items

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the School 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. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 12,470
Alternative schools	54
Title I disadvantaged children	16,890
Improving teacher quality	63,795

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

NOTE 4 - DEPOSITS AND INVESTMENTS

The School District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the basic financial statements as "equity in pooled cash and cash equivalents". Statutes require the classification of monies held by the School District into three categories.

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

Inactive deposits are public deposits 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.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the School District had \$120 in undeposited cash on hand which is included on the financial statements of the School District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all School District deposits was \$2,072,100. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,845,004 of the School District's bank balance of \$2,100,004 was exposed to custodial risk as discussed below, while \$255,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% 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 School District. The School 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 School District to a successful claim by the FDIC.

C. Reconciliation of Cash to the Statement of Net Position

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

<u>Cash per note</u>	
Carrying amount of deposits	\$ 2,072,100
Cash on hand	<u>120</u>
Total	<u>\$ 2,072,220</u>

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash per statement of net position</u>	
Governmental activities	\$ 2,041,614
Private-purpose trust fund	3,610
Agency funds	<u>26,996</u>
Total	<u>\$ 2,072,220</u>

NOTE 5 - PROPERTY TAXES

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

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 School District receives property taxes from Washington County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$109,182 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$214,803 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2013 Second- Half Collections		2014 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 144,467,730	95.31	\$ 147,424,530	95.13
Public utility personal	<u>7,106,350</u>	<u>4.69</u>	<u>7,554,480</u>	<u>4.87</u>
Total	<u>\$ 151,574,080</u>	<u>100.00</u>	<u>\$ 154,979,010</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.73		\$ 34.65	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, accounts (billings for user charged services and student fees), 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:

Governmental activities:

Property taxes	\$ 3,559,317
Accounts	837
Accrued interest	5

Intergovernmental:

General fund	73,764
Vocational education enhancement	6,000
Straight A grant	377,636
Race to the top	50,244
IDEA Part-B	55,695
Improving teacher quality	<u>164,880</u>
Miscellaneous federal grants	
Total intergovernmental	<u>728,219</u>

Total	<u>\$ 4,288,378</u>
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Receivables have been disaggregated on the face of the basic financial statements. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$155,743 may not be collected within one year. All other receivables are expected to be collected within the subsequent year.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/14</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,232,814	\$ -	\$ -	\$ 1,232,814
Total capital assets, not being depreciated	<u>1,232,814</u>	<u>-</u>	<u>-</u>	<u>1,232,814</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	6,379,248	684,303	-	7,063,551
Furniture and equipment	2,278,878	55,275	(4,905)	2,329,248
Vehicles	937,394	-	-	937,394
Total capital assets, being depreciated	<u>9,595,520</u>	<u>739,578</u>	<u>(4,905)</u>	<u>10,330,193</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(3,090,464)	(129,293)	-	(3,219,757)
Furniture and equipment	(1,404,230)	(97,099)	4,388	(1,496,941)
Vehicles	(512,997)	(39,011)	-	(552,008)
Total accumulated depreciation	<u>(5,007,691)</u>	<u>(265,403)</u>	<u>4,388</u>	<u>(5,268,706)</u>
Governmental activities capital assets, net	<u>\$ 5,820,643</u>	<u>\$ 474,175</u>	<u>\$ (517)</u>	<u>\$ 6,294,301</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 116,242
Special	13,848
Vocational	20
<u>Support services:</u>	
Pupil	21,731
Instructional staff	7,228
Board of education	61
Administration	13,297
Fiscal	4,885
Operations and maintenance	19,883
Pupil transportation	40,574
Central	378
Extracurricular activities	19,420
Food service operations	<u>7,836</u>
Total depreciation expense	<u>\$ 265,403</u>

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 9 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2014</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Energy conservation bonds - 3.658%	\$ -	\$ 570,000	\$ -	\$ 570,000	\$ 30,000
Compensated absences	<u>532,966</u>	<u>25,893</u>	<u>(128,877)</u>	<u>429,982</u>	<u>25,893</u>
Total governmental activities	<u>\$ 532,966</u>	<u>\$ 595,893</u>	<u>\$ (128,877)</u>	<u>\$ 999,982</u>	<u>\$ 55,893</u>
Add: unamortized premium				<u>14,189</u>	
Total on statement of net position				<u>\$ 1,014,171</u>	

During fiscal year 2014, the School District issued an energy conservation bond to provide for energy improvements to various School District buildings. The primary source of repayment of this obligation is through energy savings as a result of the improvements. Payments are due semi-annually on December 1 and June 1, with the final maturity on December 1, 2028. Payments of principal and interest relating to this liability are recorded as expenditures in the general fund.

These bonds were issued with a premium of \$15,009, which is reported as an other financing source on the fund financial statements. The issuance costs of \$14,889 are reported as an expenditure on the fund financial statements.

The following is a summary of the School District's future debt service requirements to maturity for the energy conservation bonds:

<u>Fiscal Year Ended</u>	<u>2014 Energy Conservation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 30,000	\$ 20,374	\$ 50,374
2016	35,000	16,405	51,405
2017	35,000	15,828	50,828
2018	35,000	15,250	50,250
2019	22,001	27,671	49,672
2020 - 2024	177,999	83,051	261,050
2025 - 2029	<u>235,000</u>	<u>29,520</u>	<u>264,520</u>
Total	<u>\$ 570,000</u>	<u>\$ 208,099</u>	<u>\$ 778,099</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the general fund, IDEA part B fund (a nonmajor special revenue fund), improving teacher quality fund (a nonmajor special revenue fund), miscellaneous federal grants fund (a nonmajor special revenue fund) and the food service fund (a nonmajor special revenue fund).

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School 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 School District. The assessed valuation used in determining the School 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 School 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 \$13,948,111 and an unvoted debt margin of \$154,979.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Vacation days must be used by employees in the fiscal year following the fiscal year in which the benefit was earned. 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 238 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 57 days.

B. Insurance Benefits

The School District provides life insurance and accidental death dismemberment to most employees through Core Source, Inc. in the amount of \$25,000 for classified employees and \$25,000 for certified employees, \$60,000 for administrators, \$100,000 for the treasurer, and \$100,000 for the superintendent. Dental coverage is provided through Core Source, Inc. Premiums for this coverage are \$61.95 monthly for family and individual coverage. The School District also provides vision insurance to its employees through Vision Service Plan. The monthly premium for this coverage is \$13.59 for family and individual coverage.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with the Argonaut Insurance Group for property insurance and boiler and machinery coverage. Property damage is on a replacement cost basis for a blanket amount of \$37,290,000 on buildings and contents. The policies include a \$1,000 deductible.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT - (Continued)

Professional and general liability has a \$1,000,000 single occurrence limit with \$3,000,000 aggregate and no deductible. Educators Legal liability has a \$1,000,000 single occurrence limit with \$3,000,000 annual aggregate and up to a \$2,500 deductible. Vehicles hold a \$1,000 deductible for both comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

B. Workers' Compensation

For fiscal year 2014, the School District participated in the SchoolComp Group Retrospective Rating Program (Group Retro). The intent of the Group Retro is to reward participants that are able to keep their individual claim costs below a predetermined amount. The School District continues to pay their individual premium; however, the School District will have the opportunity to receive retrospective premium adjustments (refunds or assessments) at the end of the three evaluation periods. The group's retrospective premium will be calculated at 12, 24, and 36 months after the end of the policy year. At the end of each period, the Bureau of Workers Comp (BWC) will take a snap-shot of the incurred claims losses for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, all the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by the BWC. CompManagement, Inc. provides administrative, cost control and actuarial services to the Group Retro program.

C. Employee Medical Benefits

The School District is a member of the Portage Area School Consortium (the Consortium), an insurance purchasing pool (See Note 2.A), through which a cooperative Health Benefit Program was created for the benefit of its members. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the school district were to withdraw from the pool. If the reserve would not cover such claims, the school district would be liable for any costs above the reserve.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer 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, under "Employers/Audit Resources".

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$171,985, \$170,534 and \$173,657, respectively; 82.56 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

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 School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 12 - PENSION PLANS - (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$523,062, \$553,071 and \$,562,554, respectively; 83.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$21,567 made by the School District and \$16,945 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 School District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School 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, 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.

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.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$25,259, \$23,411 and \$27,034, respectively; 82.56 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$9,978, \$9,633 and \$10,255, respectively; 82.56 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The School District 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, 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 School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$40,236, \$42,544 and \$43,273, respectively; 83.77 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 14 - 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);
- (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);

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP 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 are as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 296,227
Net adjustment for revenue accruals	(124,724)
Net adjustment for expenditure accruals	118,263
Net adjustment for other sources/uses	(146,710)
Funds budgeted elsewhere	10,970
Adjustment for encumbrances	122,152
GAAP basis	\$ 276,178

Certain funds that are legally budgeted in separate special revenue and agency funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the adult education fund, the public school support fund and the School District agency fund.

NOTE 15 - CONTINGENCIES

A. Grants

The School 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 School District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School District.

B. Litigation

The School District is not a party to legal proceedings that would have a material effect on the financial condition of the School District.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY, OHIO**

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

NOTE 16 - SET-ASIDES

The School 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 Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	172,634
Current year qualifying expenditures	<u>(440,889)</u>
Total	<u>\$ (268,255)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

A schedule of the restricted assets at June 30, 2014 follows:

Amount restricted for school bus purchases	<u>\$ 5,944</u>
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NOTE 17 - OTHER COMMITMENTS

The School 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 School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 108,315
Other nonmajor governmental funds	<u>56,174</u>
Total	<u>\$ 164,489</u>

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

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

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013/2014	10.555	\$ 27,349	\$ 27,349
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	90,893	90,893
National School Lunch Program	2013/2014	10.555	238,446	238,446
Cash Assistance Subtotal			<u>329,339</u>	<u>329,339</u>
Total Child Nutrition Cluster			<u>356,688</u>	<u>356,688</u>
State Administrative Expenses for Child Nutrition	2014	10.560	<u>3,555</u>	<u>3,555</u>
Total U.S. Department of Agriculture			360,243	360,243
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	124,809 <u>267,837</u>	78,033 <u>241,111</u>
Total Title I Grants to Local Educational Agencies			392,646	319,144
Special Education Cluster:				
Special Education - Grants to States	2013 2014	84.027	28,682 <u>173,596</u>	28,789 <u>165,677</u>
Total Special Education - Grants to States			<u>202,278</u>	<u>194,466</u>
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants	2014	84.173	<u>1,699</u>	<u>1,699</u>
Total Special Education Cluster			203,977	196,165
<i>Passed Through Ohio Department of Education:</i>				
Improving Teacher Quality State Grants	2013 2014	84.367	9,416 <u>54,394</u>	9,416 <u>50,103</u>
Total Improving Teacher Quality State Grants			63,810	59,519
<i>Passed through Ohio Appalachian Collaborative:</i>				
Teacher Incentive Fund Cluster:				
Teacher Incentive Fund	2013 2014	84.374	19,009 <u>143,656</u>	21,682 <u>142,013</u>
Total Teacher Incentive Fund			<u>162,665</u>	<u>163,695</u>
ARRA - Teacher Incentive Fund	2013 2014	84.385	19,665 <u>15,751</u>	18,200 <u>15,954</u>
Total ARRA - Teacher Incentive Fund			<u>35,416</u>	<u>34,154</u>
Total Teacher Incentive Fund Cluster			198,081	197,849
<i>Passed Through Ohio Department of Education:</i>				
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2013 2014	84.395A	1,814 <u>84,622</u>	7,024 <u>77,206</u>
<i>Passed through Ohio Appalachian Collaborative:</i>				
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2013 2014	84.395A	21,035 <u>165,859</u>	21,812 <u>148,674</u>
Total ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			<u>273,330</u>	<u>254,716</u>
Total U.S. Department of Education			<u>1,131,844</u>	<u>1,027,393</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,492,087</u>	<u>\$ 1,387,636</u>

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

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Belpre City School District
Washington County
2014 Rockland Avenue
Belpre, Ohio 45714

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Belpre City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 24, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2014-001.

Entity's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 24, 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

Belpre City School District
Washington County
2014 Rockland Avenue
Belpre, Ohio 45714-1118

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2014-001

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

- The School District properly posted \$24,989 in Race to the Top grant funds as revenue received during the fiscal year. However, this amount was also included as a receivable at June 30, 2014 resulting in the overstatement of intergovernmental receivables and intergovernmental revenue.

**BELPRE CITY SCHOOL DISTRICT
WASHINGTON COUNTY**

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

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

FINDING NUMBER 2014-001 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

- The School District failed to account for the Straight A Grant administered by Northern Local School District. As a result, the following fund financial statement errors occurred:
 - Intergovernmental revenue and Regular Instruction expenditures were understated by \$13,392 because the School District did not report the on-behalf payment to Batelle.
 - This also resulted in the understatement of intergovernmental receivable by \$377,636, intergovernmental revenue by \$129,711 and deferred inflows – intergovernmental revenues not available by \$247,925.
- The errors above also resulted in the understatement of Intergovernmental receivables and Operating Grants and Contributions by \$352,647 on the government-wide financial statements.

These adjustments, with which management agrees, are reflected in the audited financial statements.

To ensure the School District's financial statements and notes to the financial statements are complete and accurate, we recommend the Treasurer ensure all grants received directly or on behalf of the District be recorded during the fiscal year and during their annual conversion.

Officials' Response: Because the uniqueness of the grant which flowed through another District, we inadvertently omitted the award as a receivable at year end. Since the Straight A grant is a one-time grant and all receipts and expenditures will occur during Fiscal Year 2015, the risk of repeating the error is eliminated.

3. FINDINGS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

BELPRE CITY SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2015**