



Dave Yost • Auditor of State



**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Coshocton City School District  
Coshocton County  
1207 Cambridge Road  
Coshocton, Ohio 43812

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 Coshocton City School District, Coshocton County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

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

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

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

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

***Opinion***

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

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the 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 this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

April 8, 2015

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# **COSHOCTON CITY SCHOOL DISTRICT, OHIO**

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## ***Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014***

***Unaudited***

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

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2014 are as follows:

- ❑ Net position decreased \$3,822,366, or 16% during fiscal year 2014.
- ❑ General revenues accounted for \$14,508,938 in revenue or 75% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,813,592 or 25% of total revenues of \$19,322,530.
- ❑ The District had \$23,144,896 in expenses related to governmental activities; only \$4,813,592 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,508,938 also provided for these programs.
- ❑ The general fund had \$15,550,891 in revenues and \$16,298,644 in expenditures. The general fund's fund balance decreased \$518,565 to an ending balance of \$827,470.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# COSHOCTON CITY SCHOOL DISTRICT, OHIO

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014*

*Unaudited*

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## **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth, and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

- *Governmental Activities* – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

**Proprietary Funds** – The District uses internal service funds to report activities that provide services for the District's other programs and activities. The District's medical, dental, and prescription drug self insurance program is reported in an internal service fund. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014***

***Unaudited***

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***Fiduciary Funds*** – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The following table provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013.

|                                  | Governmental<br>Activities |                            |
|----------------------------------|----------------------------|----------------------------|
|                                  | 2014                       | Restated<br>2013           |
| Current and Other Assets         | \$13,868,288               | \$21,897,163               |
| Capital Assets, Net              | 25,513,497                 | 20,908,713                 |
| Total Assets                     | <u>39,381,785</u>          | <u>42,805,876</u>          |
| Long-term Liabilities            | 11,745,487                 | 11,178,972                 |
| Other Liabilities                | 2,364,623                  | 2,947,188                  |
| Total Liabilities                | <u>14,110,110</u>          | <u>14,126,160</u>          |
| Deferred Inflows of Resources    | <u>5,427,706</u>           | <u>5,013,381</u>           |
| Net Position                     |                            |                            |
| Net Investment in Capital Assets | 16,658,497                 | 20,462,129                 |
| Restricted                       | 2,007,828                  | 886,193                    |
| Unrestricted                     | <u>1,177,644</u>           | <u>2,318,013</u>           |
| Total Net Position               | <u><u>\$19,843,969</u></u> | <u><u>\$23,666,335</u></u> |

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## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014***

***Unaudited***

Changes in Net Position – The following table shows the changes in net position for fiscal year 2014 compared to fiscal year 2013:

|  | <b>Governmental<br/>Activities</b> |                     | <b>Increase<br/>(Decrease)</b> |
|--|------------------------------------|---------------------|--------------------------------|
|  | 2014                               | 2013                |                                |
| <b>Revenues</b>                          |                                    |                     |                                |
| Program Revenues:                        |                                    |                     |                                |
| Charges for Services and Sales           | \$1,169,100                        | \$1,252,907         | (\$83,807)                     |
| Operating Grants and Contributions       | 3,644,492                          | 3,924,666           | (280,174)                      |
| <b>Total Program Revenues</b>            | <b>4,813,592</b>                   | <b>5,177,573</b>    | <b>(363,981)</b>               |
| General Revenues:                        |                                    |                     |                                |
| Property Taxes                           | 5,284,760                          | 5,263,642           | 21,118                         |
| Intergovernmental, Unrestricted          | 9,075,363                          | 8,438,681           | 636,682                        |
| Other                                    | 148,815                            | 153,357             | (4,542)                        |
| <b>Total General Revenues</b>            | <b>14,508,938</b>                  | <b>13,855,680</b>   | <b>653,258</b>                 |
| <b>Total Revenues</b>                    | <b>19,322,530</b>                  | <b>19,033,253</b>   | <b>289,277</b>                 |
| <b>Program Expenses</b>                  |                                    |                     |                                |
| Instruction                              | 15,024,124                         | 13,074,084          | 1,950,040                      |
| Support Services:                        |                                    |                     |                                |
| Pupils                                   | 692,013                            | 748,094             | (56,081)                       |
| Instructional Staff                      | 993,399                            | 742,814             | 250,585                        |
| Board of Education                       | 83,041                             | 56,291              | 26,750                         |
| Administration                           | 1,386,857                          | 1,352,426           | 34,431                         |
| Fiscal Services                          | 540,587                            | 466,784             | 73,803                         |
| Business                                 | 376,023                            | 311,807             | 64,216                         |
| Operation and Maintenance of Plant       | 1,719,149                          | 1,549,021           | 170,128                        |
| Pupil Transportation                     | 391,053                            | 351,271             | 39,782                         |
| Central                                  | 17,044                             | 17,199              | (155)                          |
| Operation of Non-Instructional:          |                                    |                     |                                |
| Food Service Operations                  | 923,703                            | 831,909             | 91,794                         |
| Community Services                       | 66,389                             | 108,703             | (42,314)                       |
| Extracurricular Activities               | 420,811                            | 362,802             | 58,009                         |
| Interest and Fiscal Charges              | 510,703                            | 508,271             | 2,432                          |
| <b>Total Expenses</b>                    | <b>23,144,896</b>                  | <b>20,481,476</b>   | <b>2,663,420</b>               |
| <b>Change in Net Position</b>            | <b>(3,822,366)</b>                 | <b>(1,448,223)</b>  | <b>(2,374,143)</b>             |
| <b>Beginning Net Position - Restated</b> | <b>23,666,335</b>                  | <b>25,114,558</b>   | <b>(1,448,223)</b>             |
| <b>Ending Net Position</b>               | <b>\$19,843,969</b>                | <b>\$23,666,335</b> | <b>(\$3,822,366)</b>           |

### ***Governmental Activities***

Net position of the District's governmental activities decreased \$3,822,366. A decrease in operating grants and contributions can be attributed to decreases in Education Jobs, Race to the Top, and Title I Grants. A decrease in open enrollment tuition receipts received from other Districts resulted in a decrease in charges for services. Unrestricted intergovernmental revenues increased due to an increase in State Foundation distributions. Overall, expenses increased 13%. An increase in instructional expenses can be attributed to a combination of increases in salaries, payments made to other Districts for open enrollment, and textbook purchases. Increases in insurance and maintenance costs for buildings resulted in the increase in operation and maintenance of plant.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

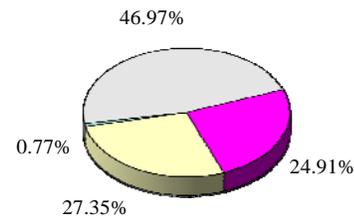
***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014***

***Unaudited***

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 27% of revenues for governmental activities for Coshocton City Schools in fiscal year 2014. The District's reliance upon tax revenues is demonstrated by the following graph:

| Revenue Sources      | 2014                | Percent<br>of Total |
|----------------------|---------------------|---------------------|
| General Grants       | \$9,075,363         | 46.97%              |
| Program Revenues     | 4,813,592           | 24.91%              |
| General Tax Revenues | 5,284,760           | 27.35%              |
| General Other        | 148,815             | 0.77%               |
| Total Revenue        | <u>\$19,322,530</u> | <u>100.00%</u>      |



### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$2,901,116, which is below last year's balance of \$9,223,082. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

|                      | Fund Balance<br>June 30, 2014 | Fund Balance<br>June 30, 2013 | Increase<br>(Decrease) |
|----------------------|-------------------------------|-------------------------------|------------------------|
| General              | \$827,470                     | \$1,346,035                   | (\$518,565)            |
| Classroom Facilities | 227,074                       | 6,210,876                     | (5,983,802)            |
| Other Governmental   | 1,846,572                     | 1,666,171                     | 180,401                |
| Total                | <u>\$2,901,116</u>            | <u>\$9,223,082</u>            | <u>(\$6,321,966)</u>   |

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014***

***Unaudited***

*General Fund* – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

|                            | 2014<br>Revenues | 2013<br>Revenues | Increase<br>(Decrease) |
|----------------------------|------------------|------------------|------------------------|
| Taxes                      | \$4,693,622      | \$4,639,426      | \$54,196               |
| Tuition                    | 733,101          | 810,069          | (76,968)               |
| Investment Earnings        | 3,656            | 6,848            | (3,192)                |
| Extracurricular Activities | 28,768           | 33,108           | (4,340)                |
| Class Materials and Fees   | 27,059           | 27,450           | (391)                  |
| Rent                       | 71,816           | 56,952           | 14,864                 |
| Intergovernmental - State  | 9,968,183        | 9,458,678        | 509,505                |
| All Other Revenue          | 24,686           | 14,261           | 10,425                 |
| Total                      | \$15,550,891     | \$15,046,792     | \$504,099              |

General Fund revenues in fiscal year 2014 increased 3% compared to revenues in fiscal year 2013. This increase can mostly be attributed to an increase in State Foundation distributions.

|                                    | 2014<br>Expenditures | 2013<br>Expenditures | Increase<br>(Decrease) |
|------------------------------------|----------------------|----------------------|------------------------|
| Instruction                        | \$10,425,915         | \$10,008,310         | \$417,605              |
| Supporting Services:               |                      |                      |                        |
| Pupils                             | 662,525              | 711,658              | (49,133)               |
| Instructional Staff                | 451,297              | 459,410              | (8,113)                |
| Board of Education                 | 83,041               | 56,291               | 26,750                 |
| Administration                     | 1,288,690            | 1,282,287            | 6,403                  |
| Fiscal Services                    | 497,725              | 436,554              | 61,171                 |
| Business                           | 352,263              | 311,807              | 40,456                 |
| Operation and Maintenance of Plant | 1,625,419            | 1,450,645            | 174,774                |
| Pupil Transportation               | 658,139              | 350,699              | 307,440                |
| Central                            | 15,844               | 17,199               | (1,355)                |
| Community Services                 | 6,299                | 16,082               | (9,783)                |
| Extracurricular Activities         | 231,487              | 202,012              | 29,475                 |
| Total                              | \$16,298,644         | \$15,302,954         | \$995,690              |

General Fund expenditures increased \$995,690 or approximately 7%. An increase in instruction can be attributed to a combination of increases in salaries, payments made to other Districts for open enrollment and textbook purchases. Increases in insurance and maintenance costs for buildings resulted in the increase in operation and maintenance of plant. The purchase of four new school busses resulted in the increase in pupil transportation costs.

## **COSHOCTON CITY SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**Unaudited**

*Classroom Facilities Fund* – The Classroom Facilities Fund is reporting State grant monies and debt proceeds to be used for the construction of a new elementary school building. Fund balance decreased significantly during fiscal year 2014, due to this project nearing completion.

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

During the course of fiscal year 2014 the District amended its General Fund budget several times, none significant.

For the General Fund, original budgeted, final budgeted and actual budget basis revenues and expenditures were not materially different. The General Fund had an adequate fund balance to cover expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal year 2014 the District had \$25,513,497 net of accumulated depreciation invested in land, buildings, improvements, machinery, equipment and vehicles. The following table shows fiscal year 2014 and 2013 balances:

|                                | Governmental<br>Activities |                     | Increase<br>(Decrease) |
|--------------------------------|----------------------------|---------------------|------------------------|
|                                | 2014                       | Restated<br>2013    |                        |
| Land                           | \$737,522                  | \$739,822           | (\$2,300)              |
| Construction in Progress       | 0                          | 17,061,565          | (17,061,565)           |
| Land Improvements              | 1,667,482                  | 1,176,361           | 491,121                |
| Buildings and Improvements     | 27,675,269                 | 9,370,053           | 18,305,216             |
| Machinery and Equipment        | 3,416,681                  | 3,095,890           | 320,791                |
| Vehicles                       | 968,956                    | 701,392             | 267,564                |
| Less: Accumulated Depreciation | (8,952,413)                | (11,236,370)        | 2,283,957              |
| <b>Totals</b>                  | <b>\$25,513,497</b>        | <b>\$20,908,713</b> | <b>\$4,604,784</b>     |

New elementary school building construction resulted in the increase in buildings and improvements, while the purchase of four new school busses resulted in the increase in vehicles.

Additional information on the District's capital assets can be found in Note 9.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014***

***Unaudited***

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### ***Debt and Other Long-term Obligations***

The following table summarizes the District's debt outstanding as of June 30, 2014 and 2013:

|                                 | <u>2014</u>                | <u>2013</u>                |
|---------------------------------|----------------------------|----------------------------|
| <b>Governmental Activities:</b> |                            |                            |
| General Obligation Bonds:       |                            |                            |
| School Construction             | \$8,824,834                | \$9,125,697                |
| Energy Conservation             | 1,133,000                  | 448,691                    |
| Bank Loan                       | 255,000                    | 0                          |
| Capital Leases Payable          | 0                          | 65,191                     |
| Compensated Absences            | 1,532,653                  | 1,539,393                  |
| <b>Totals</b>                   | <u><u>\$11,745,487</u></u> | <u><u>\$11,178,972</u></u> |

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2014, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

### **ECONOMIC FACTORS**

The Coshocton City School District relies upon local property taxes and state foundation to fund its General Fund operations. The District last passed a five year emergency operating levy in November of 2008. The District continues to experience decreasing enrollment, which reduces the amount of funding from the state foundation program. The District has also experienced a decline in the industrial/commercial valuation in recent years due to the closing and reductions of several area businesses. The relocation of a large retailer to a development area outside the District and the closure of two manufacturing plants have presented an additional fiscal challenge to District resources.

In addition to these local challenges, another challenge facing the District is the future of state funding.

The District has been approved for funding from the Ohio School Facilities Commission. The District passed a bond issue in May 2010 in order to replace District elementary schools.

In conclusion, the Coshocton City School District's management has committed itself to financial prudence in the years to come.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Felicia Drummey, Coshocton City School District.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

### ***Statement of Net Position*** ***June 30, 2014***

|  | Governmental<br>Activities | Component<br>Unit<br>Opportunity<br>School |
|--|----------------------------|--|
| <b>Assets:</b>                         |                            |  |
| Cash and Cash Equivalents              | \$ 6,938,184               | \$ 79,694                                  |
| Receivables:                           |                            |  |
| Taxes                                  | 5,728,151                  | 0  |
| Accounts                               | 18                         | 0  |
| Intergovernmental                      | 783,161                    | 0  |
| Due from Component Unit                | 10,169                     | 0  |
| Inventory of Supplies at Cost          | 9,375                      | 0  |
| Prepaid Items                          | 5,938                      | 2,234                                      |
| Restricted Assets:                     |                            |  |
| Cash with Fiscal Agent                 | 393,292                    | 0  |
| Non-Depreciable Capital Assets         | 737,522                    | 0  |
| Depreciable Capital Assets, Net        | 24,775,975                 | 6,141                                      |
| <b>Total Assets</b>                    | <b>39,381,785</b>          | <b>88,069</b>                              |
| <b>Liabilities:</b>                    |                            |  |
| Accounts Payable                       | 191,401                    | 1,026                                      |
| Accrued Wages and Benefits             | 1,234,190                  | 0  |
| Intergovernmental Payable              | 338,791                    | 2,301                                      |
| Contracts Payable                      | 16,385                     | 0  |
| Claims Payable                         | 146,985                    | 0  |
| Due to Primary Government              | 0                          | 10,169                                     |
| Accrued Interest Payable               | 43,579                     | 0  |
| Retainage Payable                      | 393,292                    | 0  |
| Long Term Liabilities:                 |                            |  |
| Due Within One Year                    | 223,875                    | 0  |
| Due in More Than One Year              | 11,521,612                 | 0  |
| <b>Total Liabilities</b>               | <b>14,110,110</b>          | <b>13,496</b>                              |
| <b>Deferred Inflows of Resources:</b>  |                            |  |
| Property Tax Levy for Next Fiscal Year | 5,427,706                  | 0  |
| <b>Net Position:</b>                   |                            |  |
| Net Investment in Capital Assets       | 16,658,497                 | 6,141                                      |
| Restricted For:                        |                            |  |
| Capital Projects                       | 1,335,228                  | 0  |
| Debt Service                           | 205,729                    | 0  |
| Other Purposes                         | 466,871                    | 34,640                                     |
| Unrestricted                           | 1,177,644                  | 33,792                                     |
| <b>Total Net Position</b>              | <b>\$ 19,843,969</b>       | <b>\$ 74,573</b>                           |

See accompanying notes to the basic financial statements

## COSHOCTON CITY SCHOOL DISTRICT, OHIO

### Statement of Activities For the Fiscal Year Ended June 30, 2014

|   | Expenses             | Program Revenues               |                                    | Net (Expense)                       | Component Unit     |
|---|----------------------|--------------------------------|------------------------------------|-------------------------------------|--------------------|
|   |                      | Charges for Services and Sales | Operating Grants and Contributions | Revenue and Changes in Net Position |                    |
|   |                      |                                |                                    | Governmental Activities             | Opportunity School |
| <b>Governmental Activities:</b>           |                      |                                |                                    |                                     |                    |
| Instruction                               | \$ 15,024,124        | \$ 760,160                     | \$ 2,370,656                       | \$ (11,893,308)                     |                    |
| Support Services:                         |                      |                                |                                    |                                     |                    |
| Pupils                                    | 692,013              | 0                              | 0                                  | (692,013)                           |                    |
| Instructional Staff                       | 993,399              | 0                              | 229,169                            | (764,230)                           |                    |
| Board of Education                        | 83,041               | 0                              | 0                                  | (83,041)                            |                    |
| Administration                            | 1,386,857            | 0                              | 21,189                             | (1,365,668)                         |                    |
| Fiscal Services                           | 540,587              | 0                              | 0                                  | (540,587)                           |                    |
| Business                                  | 376,023              | 0                              | 0                                  | (376,023)                           |                    |
| Operation and Maintenance of Plant        | 1,719,149            | 71,816                         | 0                                  | (1,647,333)                         |                    |
| Pupil Transportation                      | 391,053              | 0                              | 458                                | (390,595)                           |                    |
| Central                                   | 17,044               | 0                              | 0                                  | (17,044)                            |                    |
| Operation of Non-Instructional:           |                      |                                |                                    |                                     |                    |
| Food Service Operations                   | 923,703              | 191,498                        | 699,967                            | (32,238)                            |                    |
| Community Services                        | 66,389               | 0                              | 47,772                             | (18,617)                            |                    |
| Extracurricular Activities                | 420,811              | 145,626                        | 0                                  | (275,185)                           |                    |
| Interest and Fiscal Charges               | 510,703              | 0                              | 275,281                            | (235,422)                           |                    |
| <b>Total Primary Government</b>           | <u>\$ 23,144,896</u> | <u>\$ 1,169,100</u>            | <u>\$ 3,644,492</u>                | <u>\$ (18,331,304)</u>              |                    |
| <b>Component Unit:</b>                    |                      |                                |                                    |                                     |                    |
| Opportunity School                        | <u>\$ 425,067</u>    | <u>\$ 535</u>                  | <u>\$ 53,173</u>                   |                                     | <u>(371,359)</u>   |
| <b>General Revenues</b>                   |                      |                                |                                    |                                     |                    |
| Property Taxes Levied for:                |                      |                                |                                    |                                     |                    |
| General Purposes                          |                      |                                |                                    | 4,577,292                           | 0                  |
| Special                                   |                      |                                |                                    | 75,056                              | 0                  |
| Debt Service                              |                      |                                |                                    | 525,951                             | 0                  |
| Capital Outlay                            |                      |                                |                                    | 106,461                             | 0                  |
| Intergovernmental, Unrestricted           |                      |                                |                                    | 9,075,363                           | 319,403            |
| Investment Earnings                       |                      |                                |                                    | 4,950                               | 73                 |
| Miscellaneous                             |                      |                                |                                    | 143,865                             | 1,000              |
| <b>Total General Revenues</b>             |                      |                                |                                    | <u>14,508,938</u>                   | <u>320,476</u>     |
| Change in Net Position                    |                      |                                |                                    | (3,822,366)                         | (50,883)           |
| Net Position Beginning of Year - Restated |                      |                                |                                    | <u>23,666,335</u>                   | <u>125,456</u>     |
| Net Position End of Year                  |                      |                                |                                    | <u>\$ 19,843,969</u>                | <u>\$ 74,573</u>   |

See accompanying notes to the basic financial statements

## COSHOCTON CITY SCHOOL DISTRICT, OHIO

### **Balance Sheet Governmental Funds June 30, 2014**

|  | General             | Classroom<br>Facilities | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Assets:</b>   |                     |                         |                                |                                |
| Cash and Cash Equivalents  | \$ 1,678,889        | \$ 243,459              | \$ 2,358,849                   | \$ 4,281,197                   |
| Receivables:   |                     |                         |                                |                                |
| Taxes  | 5,111,988           | 0                       | 616,163                        | 5,728,151                      |
| Accounts Intergovernmental   | 0                   | 0                       | 18                             | 18                             |
| Interfund Loans Receivable   | 14,531              | 596,218                 | 172,412                        | 783,161                        |
| Due from Component Unit  | 346,946             | 0                       | 0                              | 346,946                        |
| Supplies Inventory   | 0                   | 0                       | 10,169                         | 10,169                         |
| Prepaid Items  | 0                   | 0                       | 9,375                          | 9,375                          |
| Restricted Assets:   |                     |                         |                                |                                |
| Cash with Fiscal Agent   | 5,938               | 0                       | 0                              | 5,938                          |
| Cash with Fiscal Agent   | 0                   | 393,292                 | 0                              | 393,292                        |
| <b>Total Assets</b>  | <u>\$ 7,158,292</u> | <u>\$ 1,232,969</u>     | <u>\$ 3,166,986</u>            | <u>\$ 11,558,247</u>           |
| <b>Liabilities:</b>  |                     |                         |                                |                                |
| Accounts Payable   | \$ 85,325           | \$ 0                    | \$ 106,076                     | \$ 191,401                     |
| Accrued Wages and Benefits   | 1,045,076           | 0                       | 189,114                        | 1,234,190                      |
| Intergovernmental Payable  | 276,676             | 0                       | 62,115                         | 338,791                        |
| Contracts Payable  | 0                   | 16,385                  | 0                              | 16,385                         |
| Interfund Loans Payable  | 0                   | 0                       | 346,946                        | 346,946                        |
| Retainage Payable  | 0                   | 393,292                 | 0                              | 393,292                        |
| <b>Total Liabilities</b>   | <u>1,407,077</u>    | <u>409,677</u>          | <u>704,251</u>                 | <u>2,521,005</u>               |
| <b>Deferred Inflows of Resources:</b>                                    |                     |                         |                                |                                |
| Unavailable Amounts  | 112,202             | 596,218                 | 0                              | 708,420                        |
| Property Tax Levy for Next Fiscal Year                                   | 4,811,543           | 0                       | 616,163                        | 5,427,706                      |
| <b>Total Deferred Inflows of Resources</b>                               | <u>4,923,745</u>    | <u>596,218</u>          | <u>616,163</u>                 | <u>6,136,126</u>               |
| <b>Fund Balance:</b>   |                     |                         |                                |                                |
| Nonspendable   | 5,938               | 0                       | 9,375                          | 15,313                         |
| Restricted   | 0                   | 227,074                 | 1,955,804                      | 2,182,878                      |
| Assigned   | 140,161             | 0                       | 0                              | 140,161                        |
| Unassigned   | 681,371             | 0                       | (118,607)                      | 562,764                        |
| <b>Total Fund Balance</b>  | <u>827,470</u>      | <u>227,074</u>          | <u>1,846,572</u>               | <u>2,901,116</u>               |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <u>\$ 7,158,292</u> | <u>\$ 1,232,969</u>     | <u>\$ 3,166,986</u>            | <u>\$ 11,558,247</u>           |

See accompanying notes to the basic financial statements

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2014***

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|   |             |                             |
|---|-------------|-----------------------------|
| <b>Total Governmental Fund Balances</b>   | \$          | 2,901,116                   |
| <i>Amounts reported for governmental activities in the<br/>statement of net position are different because</i>  |             |                             |
| Capital Assets used in governmental activities are not<br>resources and therefore are not reported in the funds.  |             | 25,513,497                  |
| Other long-term resources are not available to pay for current-<br>period expenditures and therefore are deferred in the funds.   |             | 708,420                     |
| Internal service funds are used by management to charge<br>the costs of insurance to individual funds. The assets<br>and liabilities of the internal service funds are included in<br>governmental activities in the statement of net position. |             | 2,510,002                   |
| Long-term liabilities, including bonds and leases payable<br>are not due and payable in the current period and<br>therefore are not reported in the funds.  |             |                             |
| General Obligation Bonds Payable  | (9,957,834) |                             |
| Bank Loan   | (255,000)   |                             |
| Compensated Absences Payable  | (1,532,653) |                             |
| Accrued Interest Payable  | (43,579)    | (11,789,066)                |
|   |             | <u>                    </u> |
| <b><i>Net Position of Governmental Activities</i></b>   | <b>\$</b>   | <b><u>19,843,969</u></b>    |

See accompanying notes to the basic financial statements

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## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

### ***Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2014***

|                                    | General           | Classroom<br>Facilities | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------|-------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                   |                   |                         |                                |                                |
| Local Sources:                     |                   |                         |                                |                                |
| Taxes                              | \$ 4,693,622      | \$ 0                    | \$ 709,021                     | \$ 5,402,643                   |
| Tuition                            | 733,101           | 0                       | 0                              | 733,101                        |
| Investment Earnings                | 3,656             | 1,249                   | 45                             | 4,950                          |
| Extracurricular Activities         | 28,768            | 0                       | 116,858                        | 145,626                        |
| Food Services                      | 0                 | 0                       | 191,498                        | 191,498                        |
| Class Materials and Fees           | 27,059            | 0                       | 0                              | 27,059                         |
| Rent                               | 71,816            | 0                       | 0                              | 71,816                         |
| Intergovernmental - State          | 9,968,183         | 235,058                 | 359,517                        | 10,562,758                     |
| Intergovernmental - Federal        | 0                 | 0                       | 2,720,353                      | 2,720,353                      |
| All Other Revenue                  | 24,686            | 1,850                   | 117,329                        | 143,865                        |
| <b>Total Revenues</b>              | <b>15,550,891</b> | <b>238,157</b>          | <b>4,214,621</b>               | <b>20,003,669</b>              |
| <b>Expenditures:</b>               |                   |                         |                                |                                |
| Current:                           |                   |                         |                                |                                |
| Instruction                        | 10,425,915        | 0                       | 1,561,528                      | 11,987,443                     |
| Supporting Services:               |                   |                         |                                |                                |
| Pupils                             | 662,525           | 0                       | 1,703                          | 664,228                        |
| Instructional Staff                | 451,297           | 10,300                  | 401,151                        | 862,748                        |
| Board of Education                 | 83,041            | 0                       | 0                              | 83,041                         |
| Administration                     | 1,288,690         | 0                       | 31,733                         | 1,320,423                      |
| Fiscal Services                    | 497,725           | 1,894                   | 20,078                         | 519,697                        |
| Business                           | 352,263           | 23,760                  | 0                              | 376,023                        |
| Operation and Maintenance of Plant | 1,625,419         | 36,442                  | 2,068                          | 1,663,929                      |
| Pupil Transportation               | 658,139           | 0                       | 447                            | 658,586                        |
| Central                            | 15,844            | 0                       | 1,200                          | 17,044                         |
| Operation of Non-Instructional:    |                   |                         |                                |                                |
| Food Service Operations            | 0                 | 0                       | 835,239                        | 835,239                        |
| Community Services                 | 6,299             | 0                       | 59,488                         | 65,787                         |
| Extracurricular Activities         | 231,487           | 0                       | 151,433                        | 382,920                        |
| Capital Outlay                     | 0                 | 6,149,563               | 957,432                        | 7,106,995                      |
| Debt Service:                      |                   |                         |                                |                                |
| Principal Retirement               | 0                 | 0                       | 348,256                        | 348,256                        |
| Interest and Fiscal Charges        | 0                 | 0                       | 499,339                        | 499,339                        |
| <b>Total Expenditures</b>          | <b>16,298,644</b> | <b>6,221,959</b>        | <b>4,871,095</b>               | <b>27,391,698</b>              |
| Excess (Deficiency) of Revenues    |                   |                         |                                |                                |
| Over (Under) Expenditures          | (747,753)         | (5,983,802)             | (656,474)                      | (7,388,029)                    |

(Continued)

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

|   | General    | Classroom<br>Facilities | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------|-------------------------|--------------------------------|--------------------------------|
| <b>Other Financing Sources (Uses):</b>      |            |                         |                                |                                |
| Proceeds from the Sale of Capital Assets    | 0          | 0                       | 88,750                         | 88,750                         |
| Bond Issuance                               | 0          | 0                       | 722,565                        | 722,565                        |
| Loan Proceeds                               | 255,000    | 0                       | 0                              | 255,000                        |
| Transfers In                                | 0          | 0                       | 25,812                         | 25,812                         |
| Transfers Out                               | (25,812)   | 0                       | 0                              | (25,812)                       |
| <b>Total Other Financing Sources (Uses)</b> | 229,188    | 0                       | 837,127                        | 1,066,315                      |
| Net Change in Fund Balance                  | (518,565)  | (5,983,802)             | 180,653                        | (6,321,714)                    |
| <b>Fund Balance at Beginning of Year</b>    | 1,346,035  | 6,210,876               | 1,666,171                      | 9,223,082                      |
| Decrease in Inventory                       | 0          | 0                       | (252)                          | (252)                          |
| <b>Fund Balance End of Year</b>             | \$ 827,470 | \$ 227,074              | \$ 1,846,572                   | \$ 2,901,116                   |

See accompanying notes to the basic financial statements

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***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***

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**Net Change in Fund Balances - Total Governmental Funds** \$ (6,321,714)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 5,634,765

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (1,029,981)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (681,139)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

|                            |           |           |
|----------------------------|-----------|-----------|
| Bond Principal Retirement  | 348,256   |           |
| Bond Issuance              | (722,565) |           |
| Bank Loan Issuance         | (255,000) |           |
| Amortization of Premium    | 5,960     |           |
| Interest Accretion on Bond | (15,097)  |           |
| Capital Lease Retirement   | 65,191    | (573,255) |

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (2,227)

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 the governmental funds.

|  |          |          |
|--|----------|----------|
| Change in Compensated Absences Payable | (49,860) |          |
| Change in Supplies Inventory           | (252)    | (50,112) |

The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. (798,703)

***Change in Net Position of Governmental Activities*** **\$ (3,822,366)**

See accompanying notes to the basic financial statements

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## ***COSHOCTON CITY SCHOOL DISTRICT, 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***

|  | Original Budget | Final Budget | Actual       | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-----------------|--------------|--------------|---|
| <b>Revenues:</b>   |                 |              |              |   |
| Local Sources:   |                 |              |              |   |
| Taxes  | \$ 4,866,723    | \$ 4,969,742 | \$ 4,984,520 | \$ 14,778   |
| Tuition  | 715,776         | 730,927      | 733,101      | 2,174   |
| Investment Earnings  | 3,497           | 3,571        | 3,582        | 11  |
| Class Materials and Fees                                     | 11,131          | 11,366       | 11,400       | 34  |
| Rent   | 70,119          | 71,603       | 71,816       | 213   |
| Intergovernmental - State                                    | 9,728,362       | 9,934,295    | 9,963,837    | 29,542  |
| All Other Revenues   | 10,794          | 11,022       | 11,055       | 33  |
| Total Revenues   | 15,406,402      | 15,732,526   | 15,779,311   | 46,785  |
| <b>Expenditures:</b>   |                 |              |              |   |
| Current:   |                 |              |              |   |
| Instruction  | 10,089,323      | 10,763,237   | 10,569,071   | 194,166   |
| Support Services:  |                 |              |              |   |
| Pupils   | 665,299         | 709,737      | 681,509      | 28,228  |
| Instructional Staff  | 430,685         | 459,452      | 444,230      | 15,222  |
| Board of Education   | 98,417          | 104,991      | 85,053       | 19,938  |
| Administration   | 1,232,478       | 1,314,801    | 1,288,129    | 26,672  |
| Fiscal Services  | 481,302         | 513,451      | 507,415      | 6,036   |
| Business   | 481,665         | 513,838      | 382,321      | 131,517   |
| Operation and Maintenance of Plant                           | 1,912,963       | 2,040,739    | 1,683,790    | 356,949   |
| Pupil Transportation   | 602,020         | 642,232      | 635,436      | 6,796   |
| Central  | 14,852          | 15,844       | 15,844       | 0   |
| Community Services   | 11,912          | 12,708       | 12,471       | 237   |
| Extracurricular Activities                                   | 242,335         | 258,522      | 255,864      | 2,658   |
| Total Expenditures   | 16,263,251      | 17,349,552   | 16,561,133   | 788,419   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (856,849)       | (1,617,026)  | (781,822)    | 835,204   |

(Continued)

***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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|  | Original Budget | Final Budget    | Actual        | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-----------------|-----------------|---------------|---|
| <b>Other Financing Sources (Uses):</b> |                 |                 |               |   |
| Loan Proceeds                          | 255,000         | 255,000         | 255,000       | 0   |
| Transfers Out                          | (25,812)        | (25,812)        | (25,812)      | 0   |
| Advances In                            | 0               | 0               | 89,973        | 89,973  |
| Advances Out                           | (237,806)       | (237,806)       | (237,806)     | 0   |
| Refund of Prior Year Expenditures      | 46,124          | 46,124          | 87,264        | 41,140  |
| Total Other Financing Sources (Uses):  | 37,506          | 37,506          | 168,619       | 131,113   |
| <br>Net Change in Fund Balance         | <br>(819,343)   | <br>(1,579,520) | <br>(613,203) | <br>966,317   |
| <br>Fund Balance at Beginning of Year  | <br>1,477,270   | <br>1,477,270   | <br>1,477,270 | <br>0   |
| Prior Year Encumbrances                | 597,763         | 597,763         | 597,763       | 0   |
| Fund Balance at End of Year            | \$ 1,255,690    | \$ 495,513      | \$ 1,461,830  | \$ 966,317  |

See accompanying notes to the basic financial statements

***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Statement of Net Position  
Proprietary Funds  
June 30, 2014***

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|                             | Governmental<br>Activities -<br>Internal Service<br>Funds |
|-----------------------------|---|
| <b>Assets:</b>              |   |
| <i>Current Assets:</i>      |   |
| Cash and Cash Equivalents   | \$ 2,656,987  |
| <b>Total Assets</b>         | <u>2,656,987</u>  |
| <b>Liabilities:</b>         |   |
| <i>Current Liabilities:</i> |   |
| Claims Payable              | 146,985   |
| <b>Total Liabilities</b>    | <u>146,985</u>  |
| <b>Net Position:</b>        |   |
| Unrestricted                | 2,510,002   |
| <b>Total Net Position</b>   | <u>\$ 2,510,002</u>                                       |

See accompanying notes to the basic financial statements

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2014***

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|                                 | Governmental<br>Activities -<br>Internal Service<br>Funds |
|---------------------------------|---|
| <b>Operating Revenues:</b>      |   |
| Charges for Services            | \$ 2,322,550  |
| <b>Total Operating Revenues</b> | <u>2,322,550</u>  |
| <b>Operating Expenses:</b>      |   |
| Contractual Services            | 3,121,253   |
| <b>Total Operating Expenses</b> | <u>3,121,253</u>  |
| Change in Net Position          | (798,703)   |
| Net Position Beginning of Year  | 3,308,705   |
| Net Position End of Year        | <u>\$ 2,510,002</u>                                       |

See accompanying notes to the basic financial statements

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Statement of Cash Flows***  
***Proprietary Funds***  
***For the Fiscal Year Ended June 30, 2014***

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|   | Governmental<br>Activities -<br>Internal Service<br>Funds |
|---|---|
| <u>Cash Flows from Operating Activities:</u>  |   |
| Cash Received from Interfund Charges  | \$2,322,550   |
| Cash Payments for Claims  | <u>(3,099,274)</u>  |
| Net Cash Used for Operating Activities  | <u>(776,724)</u>  |
| <br>  |   |
| Net Decrease in Cash and Cash Equivalents   | (776,724)   |
| Cash and Cash Equivalents at Beginning of Year  | <u>3,433,711</u>  |
| Cash and Cash Equivalents at End of Year  | <u><u>\$2,656,987</u></u>                                 |
| <br>  |   |
| <u>Reconciliation of Operating Loss to Net Cash</u>                                   |   |
| <u>Used for Operating Activities:</u>   |   |
| Operating Loss  | (\$798,703)   |
| Adjustments to Reconcile Operating Loss to<br>Net Cash Used for Operating Activities: |   |
| Changes in Assets and Liabilities:  |   |
| Increase in Claims Payable  | <u>21,979</u>   |
| Total Adjustments   | <u>21,979</u>   |
| Net Cash Used for Operating Activities  | <u><u>(\$776,724)</u></u>                                 |

See accompanying notes to the basic financial statements

***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Statement of Net Position  
Fiduciary Funds  
June 30, 2014***

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|                             | Private Purpose<br>Trust | Agency Fund<br>Student Activity<br>Fund | Total             |
|-----------------------------|--------------------------|---|-------------------|
| <b>Assets:</b>              |                          |   |                   |
| Cash and Cash Equivalents   | \$ 66,574                | \$ 44,536                               | \$ 111,110        |
| Restricted Assets:          |                          |   |                   |
| Investments                 | 330,557                  | 0                                       | 330,557           |
| <b>Total Assets</b>         | <u>397,131</u>           | <u>44,536</u>                           | <u>441,667</u>    |
| <b>Liabilities:</b>         |                          |   |                   |
| Due to Students             | 0                        | 44,536                                  | 44,536            |
| <b>Total Liabilities</b>    | <u>0</u>                 | <u>44,536</u>                           | <u>44,536</u>     |
| <b>Net Position:</b>        |                          |   |                   |
| Restricted for Scholarships | 397,131                  | 0                                       | 397,131           |
| <b>Total Net Position</b>   | <u>\$ 397,131</u>        | <u>\$ 0</u>                             | <u>\$ 397,131</u> |

See accompanying notes to the basic financial statements

***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Statement of Changes in Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2014***

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|   | <u>Private Purpose<br/>Trust</u> |
|---|----------------------------------|
| <b>Additions:</b>                             |                                  |
| Investment Earnings:                          |                                  |
| Interest                                      | \$ 231                           |
| Net Increase in the Fair Value of Investments | 48,442                           |
| Total Additions                               | <u>48,673</u>                    |
| <b>Deductions:</b>                            |                                  |
| Community Gifts, Awards and Scholarships      | <u>20,500</u>                    |
| Total Deductions                              | <u>20,500</u>                    |
| <br>Change in Net Position                    | <br>28,173                       |
| <br>Net Position at Beginning of Year         | <br><u>368,958</u>               |
| Net Position End of Year                      | <u>\$ 397,131</u>                |

See accompanying notes to the basic financial statements

# ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 76 noncertified and approximately 141 certified teaching personnel and administrative employees providing education to 1,631 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (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"* in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has one component unit, the Coshocton Opportunity School (the "Opportunity School").

Coshocton City School District participates in three organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are the Ohio School Board Association Workers' Compensation Group Rating Program, the Coshocton County Joint Vocational School District, Ohio Mid-Eastern Regional Education Service Agency, and the Coshocton County Tax Incentive Review Council. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Discretely Presented Component Unit - The component unit column on the Financial Statements includes the financial data of the District's component unit. It is reported in a separate column to emphasize that it is legally separate from the District.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Coshocton Opportunity School, Coshocton, Ohio (the “Opportunity School”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. It is operated under a contract with the Coshocton City School District to provide a safe and supportive learning environment for non-traditional high school students, where a motivating, standards based curriculum will prepare students for employment and lifelong learning. The focus of the curriculum is to meet the requirements for the passage of the Ohio Graduation Test in the areas of reading, mathematics, writing, social studies, and science, and to meet all other requirements for high school graduation. The Opportunity School cannot borrow money without the consent of the District. Additionally, the Opportunity School provides a benefit to the District as the Opportunity School rents space from the District. Based on this relationship between the District and the Opportunity School, the Opportunity School is reflected as a component unit of the District.

The Treasurer of Coshocton City School District serves as Treasurer of the Opportunity School. The Opportunity School operates on a fiscal year ending June 30. Separately issued financial statements can be obtained by contacting Coshocton Opportunity Schools, 1207 Cambridge Road, Coshocton, Ohio 43812.

The accounting policies and financial reporting practices of the District, including the Opportunity School conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

##### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental, proprietary and fiduciary.

***Governmental Funds*** - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District’s expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of “financial flow” (sources, uses and balances of financial resources). The following are the District’s major governmental funds:

**General Fund** - This fund is the general operating fund of the District and is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting (Continued)**

Classroom Facilities Fund - This fund accounts for state grant monies and debt proceeds to be used for the construction of new school facilities.

*Proprietary Funds* - The proprietary funds are accounted for on an “economic resources” measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The District’s internal service fund accounts for premiums and costs associated with a medical, dental, and prescription drug self insurance program.

*Fiduciary Funds* – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District’s own programs. The District’s only trust funds are private purpose trusts that account for scholarship programs, gifts and awards for specific students. State law permits the District to appropriate for purposes consistent with the endowment's intent, net appreciation, both realized and unrealized. The District’s agency fund accounts for various student-managed activity programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

##### **C. Basis of Presentation – Financial Statements**

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

# ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **C. Basis of Presentation – Financial Statements (Continued)**

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2014, but which are not intended to finance fiscal 2014 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, private-purpose trust funds and agency funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

***Revenues – Exchange and Non-exchange Transactions*** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

# ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the General Fund is required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

#### **1. Tax Budget**

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

#### **2. Estimated Resources**

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during fiscal year 2014.

#### **3. Appropriations**

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process** (Continued)

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Basis of Budgeting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

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

|  | Net Change in Fund Balance |
|--|----------------------------|
|  | General Fund               |
| GAAP Basis (as reported)   | (\$518,565)                |
| Increase (Decrease):   |                            |
| Accrued Revenues<br>at June 30, 2014,<br>received during FY 2015 | (350,607)                  |
| Accrued Revenues<br>at June 30, 2013,<br>received during FY 2014 | 537,302                    |
| Accrued Expenditures<br>at June 30, 2014,<br>paid during FY 2015 | 1,407,077                  |
| Accrued Expenditures<br>at June 30, 2013,<br>paid during FY 2014 | (1,529,145)                |
| FY 2013 Prepays for FY 2014                                      | 4,249                      |
| FY 2014 Prepays for FY 2015                                      | (5,938)                    |
| Encumbrances Outstanding   | (138,829)                  |
| Perspective Difference:  |                            |
| Activity of Funds Reclassified<br>for GAAP Reporting Purposes    | (18,747)                   |
| Budget Basis   | (\$613,203)                |

# **COSHOCTON CITY SCHOOL DISTRICT, OHIO**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **F. Cash and Cash Equivalents**

During fiscal year 2014, cash and cash equivalents included amounts in demand deposits, a money market account and short-term certificates of deposit with original maturities of three months or less. The certificates of deposit are considered cash equivalents because they are highly liquid investments.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

#### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. See Note 5, "Cash, Cash Equivalents and Investments."

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$3,656 which includes \$2,776 assigned from other funds.

#### **H. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

# COSHOCTON CITY SCHOOL DISTRICT, OHIO

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **I. Capital Assets and Depreciation**

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life threshold of five or more years.

##### **1. Property, Plant and Equipment - Governmental Activities**

Governmental capital assets are those that are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds. These assets are capitalized at cost (or estimated historical cost for assets not purchased in recent years) within the governmental activities in the government-wide statement of net position but are not reported in the fund financial statements.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

##### **2. Depreciation**

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

| <u>Description</u>        | <u>Estimated Lives (in years)</u> |
|---------------------------|-----------------------------------|
| Land Improvements         | 30                                |
| Building and Improvements | 15-30                             |
| Machinery and Equipment   | 5-15                              |
| Vehicles                  | 5                                 |

# COSHOCTON CITY SCHOOL DISTRICT, OHIO

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## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **J. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

| <u>Obligation</u>        | <u>Fund</u>   |
|--------------------------|---|
| Capital Leases           | General Fund  |
| General Obligation Bonds | Bond Retirement Fund  |
| Compensated Absences     | General Fund, Food Services Fund, Federal Grants Fund,<br>Public Preschool Program Fund, Title VI-B Fund, Chapter I<br>Fund |

#### **K. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method.

Certified employees may earn 15 days of sick leave per year up to a maximum of 240 days. Upon retirement, employees with 10 or more years of service in the Ohio State Teachers Retirement System and 10 or more years of service with the District will receive one-fourth of the accumulated sick leave up to a maximum of 54 days. Upon retirement, employees with 10 or more years of service in the Ohio State Teachers Retirement System but less than 10 years of service with the District will receive one-fourth of the accumulated sick leave up to a maximum of 32 days. Classified employees may earn 15 days of sick leave per year up to a maximum of 220 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 50 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. In the government-wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **L. Net Position**

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

##### **M. Pensions**

The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred.

##### **N. Interfund Activity**

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

##### **O. Fund Balance**

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

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

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

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **O. Fund Balance** (Continued)

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

***Assigned*** - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

***Unassigned*** - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

##### **P. Restricted Assets**

Cash with fiscal agent represents a construction retainage account.

##### **Q. Estimates**

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

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **R. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

##### **S. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service fund self insurance program. Operating expenses are the necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### **T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2014.

##### **U. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District reports no deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 2 – RESTATEMENT OF NET POSITION**

Adjustments were necessary to the beginning of year Governmental Activities net position to account for a reappraisal of capital assets. This resulted in changes to beginning of year net position as detailed below.

|                               | Governmental<br>Activities |
|-------------------------------|----------------------------|
| Net Position at June 30, 2013 | \$24,070,419               |
| Capital Asset Reappraisal     | (404,084)                  |
| Net Position, as Restated     | <u>\$23,666,335</u>        |

#### **NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

**Fund Deficits** - The fund deficits at June 30, 2014 of \$1,495 in the District Managed Student Activity Fund, \$6,990 in the Auxiliary Services Fund, \$3,276 in the Public Preschool Program Fund, \$751 in the Parent Mentor Grant Fund, \$30,122 in the Race to the Top Fund, \$1,459 in the Title VI-B Fund, \$32,193 in the Chapter I Fund, and \$42,321 in the Miscellaneous Federal Grants Fund (special revenue funds) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. Deficits do not exist under the cash basis of accounting.

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***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

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**NOTE 4 – FUND BALANCES**

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

| Fund Balances                       | General<br>Fund  | Classroom<br>Facilities<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------|------------------|---------------------------------|--------------------------------|--------------------------------|
| Nonspendable:                       |                  |                                 |                                |                                |
| Prepaid Items                       | \$5,938          | \$0                             | \$0                            | \$5,938                        |
| Supplies Inventory                  | 0                | 0                               | 9,375                          | 9,375                          |
| Total Nonspendable                  | <u>5,938</u>     | <u>0</u>                        | <u>9,375</u>                   | <u>15,313</u>                  |
| Restricted:                         |                  |                                 |                                |                                |
| Food Service Operations             | 0                | 0                               | 253,499                        | 253,499                        |
| Technology Improvements             | 0                | 0                               | 17,120                         | 17,120                         |
| Preschool Program                   | 0                | 0                               | 464                            | 464                            |
| At Risk Student Instruction         | 0                | 0                               | 11,210                         | 11,210                         |
| Improving Teacher Quality           | 0                | 0                               | 8,500                          | 8,500                          |
| Facilities Maintenance              | 0                | 0                               | 367,815                        | 367,815                        |
| Debt Service Payments               | 0                | 0                               | 248,401                        | 248,401                        |
| Capital Acquisition and Improvement | 0                | 227,074                         | 951,297                        | 1,178,371                      |
| Other Purposes                      | 0                | 0                               | 97,498                         | 97,498                         |
| Total Restricted                    | <u>0</u>         | <u>227,074</u>                  | <u>1,955,804</u>               | <u>2,182,878</u>               |
| Assigned to Other Purposes          | 140,161          | 0                               | 0                              | 140,161                        |
| Unassigned                          | 681,371          | 0                               | (118,607)                      | 562,764                        |
| Total Fund Balances                 | <u>\$827,470</u> | <u>\$227,074</u>                | <u>\$1,846,572</u>             | <u>\$2,901,116</u>             |

**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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;
- 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;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty five percent of the interim monies available for investment at any one time; and
- Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies

**COSHOCTON CITY SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

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**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$7,442,511 and the bank balance was \$7,519,648. Federal depository insurance covered \$609,340 of the bank balance and \$6,910,308 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

|  |                |
|--|----------------|
|  | <u>Balance</u> |
| Uninsured and collateralized with securities held by<br>the pledging institution's trust department not in the District's name | \$6,910,308    |
| Total Balance  | \$6,910,308    |

At year end, the District had \$75 in undeposited cash on hand which is included in the financial statements as part of "Cash and Cash Equivalents."

**B. Investments**

The District's investments at June 30, 2014 were as follows:

|                    | <u>Fair Value</u> | <u>Credit Rating</u> | <u>Investment Maturities (in Years)</u> |            |            |
|--------------------|-------------------|----------------------|---|------------|------------|
|                    |                   |                      | <u>less than 1</u>                      | <u>1-3</u> | <u>3-5</u> |
| Mutual Funds/Stock | \$330,557         | N/A                  | \$330,557                               | \$0        | \$0        |
| Total Investments  | \$330,557         |                      | \$330,557                               | \$0        | \$0        |

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

##### **B. Investments** (Continued)

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer.

##### **C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 40. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

|                          | <u>Cash and Cash<br/>Equivalents</u> | <u>Investments</u> |
|--------------------------|--------------------------------------|--------------------|
| Per Financial Statements | \$7,442,586                          | \$330,557          |
| Cash on Hand             | (75)                                 | 0                  |
| Per GASB Statement No. 3 | <u>\$7,442,511</u>                   | <u>\$330,557</u>   |

##### **D. Component Unit**

At year end the carrying amount of the Opportunity School's deposits was \$79,694 and the bank balance was \$79,878. The Federal Deposit Insurance Corporation (FDIC) covered the entire bank balance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

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## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 6 - PROPERTY TAXES**

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

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Coshocton City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values upon which the fiscal year 2014 taxes were collected are as follows:

|  | 2013 Second Half<br>Collections | 2014 First Half<br>Collections |
|--|---------------------------------|--------------------------------|
| Agricultural/Residential and Other Real Estate | \$157,404,910                   | \$156,638,490                  |
| Public Utility Personal                        | 8,132,920                       | 8,476,590                      |
| Total Assessed Value                           | <u>\$165,537,830</u>            | <u>\$165,115,080</u>           |
| Tax rate per \$1,000 of assessed valuation     | \$59.58                         | \$59.66                        |

***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 consisted of taxes, accounts, and intergovernmental receivables.

**NOTE 8 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

Following is a summary of interfund receivables/payables for all funds at June 30, 2014:

|                          | Interfund Loans<br>Receivable | Interfund Loans<br>Payable |
|--------------------------|-------------------------------|----------------------------|
| General Fund             | \$346,946                     | \$0                        |
| Other Governmental Funds | 0                             | 346,946                    |
| Totals                   | <u>\$346,946</u>              | <u>\$346,946</u>           |

The Interfund Loans are short-term loans to prevent a temporary cash deficit.

Following is a summary of transfers in and out for all funds for the fiscal year 2014:

| Fund                     | Transfers In    | Transfers Out   |
|--------------------------|-----------------|-----------------|
| General Fund             | \$0             | \$25,812        |
| Other Governmental Funds | 25,812          | 0               |
| Totals                   | <u>\$25,812</u> | <u>\$25,812</u> |

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; to transfer capital assets; and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers made in fiscal year 2014 were allowable under Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

**COSHOCTON CITY SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2014:

| <i>Historical Cost:</i>                      | Restated              |                        |                       |                      |
|--|-----------------------|------------------------|-----------------------|----------------------|
| Class  | June 30, 2013         | Additions              | Deletions             | June 30, 2014        |
| <i>Capital assets not being depreciated:</i> |                       |                        |                       |                      |
| Land   | \$739,822             | \$0                    | (\$2,300)             | \$737,522            |
| Construction in Progress                     | 17,061,565            | 0                      | (17,061,565)          | 0                    |
|  | <u>17,801,387</u>     | <u>0</u>               | <u>(17,063,865)</u>   | <u>737,522</u>       |
| <i>Capital assets being depreciated:</i>     |                       |                        |                       |                      |
| Land Improvements                            | 1,176,361             | 513,483                | (22,362)              | 1,667,482            |
| Buildings and Improvements                   | 9,370,053             | 21,123,664             | (2,818,448)           | 27,675,269           |
| Machinery and Equipment                      | 3,095,890             | 1,848,862              | (1,528,071)           | 3,416,681            |
| Vehicles                                     | 701,392               | 322,044                | (54,480)              | 968,956              |
| Total Cost                                   | <u>\$32,145,083</u>   | <u>\$23,808,053</u>    | <u>(\$21,487,226)</u> | <u>\$34,465,910</u>  |
| <i>Accumulated Depreciation:</i>             |                       |                        |                       |                      |
| Class  | June 30, 2013         | Additions              | Deletions             | June 30, 2014        |
| Land Improvements                            | (\$866,634)           | (\$75,790)             | \$13,643              | (\$928,781)          |
| Buildings and Improvements                   | (7,773,055)           | (600,323)              | 1,978,060             | (6,395,318)          |
| Machinery and Equipment                      | (2,106,862)           | (386,398)              | 1,354,945             | (1,138,315)          |
| Vehicles                                     | (489,819)             | (49,212)               | 49,032                | (489,999)            |
| Total Depreciation                           | <u>(\$11,236,370)</u> | <u>(\$1,111,723) *</u> | <u>\$3,395,680</u>    | <u>(\$8,952,413)</u> |
| <i>Net Value:</i>                            | <u>\$20,908,713</u>   |                        |                       | <u>\$25,513,497</u>  |

\* Depreciation expenses were charged to governmental functions as follows:

|                                    |                    |
|------------------------------------|--------------------|
| Instruction                        | \$751,737          |
| Support Services:                  |                    |
| Pupils                             | 1,115              |
| Instructional Staff                | 196,318            |
| Administration                     | 3,145              |
| Fiscal Services                    | 416                |
| Operation and Maintenance of Plant | 10,603             |
| Transportation                     | 50,540             |
| Operation of Non-Instructional:    |                    |
| Food Service Operations            | 61,703             |
| Extracurricular Activities         | 36,146             |
| Total Depreciation Expense         | <u>\$1,111,723</u> |

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 9 - CAPITAL ASSETS (Continued)**

##### **B. Component Unit Capital Assets**

Summary by Category at June 30, 2014:

| <u>Class</u>             | <u>Balance at<br/>June 30, 2013</u> | <u>Additions</u>        | <u>Deletions</u>  | <u>Balance at<br/>June 30, 2014</u> |
|--------------------------|-------------------------------------|-------------------------|-------------------|-------------------------------------|
| Furniture and Equipment  | \$168,357                           | \$0                     | \$0               | \$168,357                           |
| Accumulated Depreciation | (158,664)                           | (3,552)                 | 0                 | (162,216)                           |
| <b><i>Net Value:</i></b> | <b><u>\$9,693</u></b>               | <b><u>(\$3,552)</u></b> | <b><u>\$0</u></b> | <b><u>\$6,141</u></b>               |

#### **NOTE 10 - DEFINED BENEFIT PENSION PLANS**

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

##### **A. School Employee Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$314,512, \$300,499 and \$278,391 respectively, which were equal to the required contributions for each year.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service credit, age 55 with 25 years of service credit or with 30 years of service, regardless of age; 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 the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2014, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,049,769, \$1,010,679, and \$1,123,122 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2014 were \$18,424 made by the District and \$14,476 made by the plan members.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **C. Social Security System**

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

#### **NOTE 11 - POSTEMPLOYMENT BENEFITS**

##### **A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB 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 as well as a prescription drug program. 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 up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount (\$20,525 for 2014), pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

##### **A. School Employee Retirement System** (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$35,667, \$35,708, and \$47,659 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$18,247, \$16,975, and \$16,440 respectively; which were equal to the required contributions for each year.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$80,751, \$77,745, and \$86,394 respectively; which were equal to the required contributions for each year.

***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

**NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in long term debt of the District for the year ended June 30, 2014 is as follows:

|                                 |                   | Balance             |                    |                    | Balance             | Amount Due         |
|---------------------------------|-------------------|---------------------|--------------------|--------------------|---------------------|--------------------|
|                                 |                   | June 30, 2013       | Additions          | Deductions         | June 30, 2014       | Within<br>One Year |
| <b>Governmental Activities:</b> |                   |                     |                    |                    |                     |                    |
| General Obligation Bonds:       |                   |                     |                    |                    |                     |                    |
| School Construction             | 2011 2.00 - 6.27% | \$8,910,000         | \$0                | (\$310,000)        | \$8,600,000         | \$0                |
| Energy Conservation             | 2012 2.97%        | 448,691             | 0                  | (23,691)           | 425,000             | 25,000             |
| Energy Conservation             | 2014 3.65%        | 0                   | 722,565            | (14,565)           | 708,000             | 38,000             |
| Bond Premium                    |                   | 178,789             | 0                  | (5,960)            | 172,829             | 0                  |
| Interest Accretion              |                   | 36,908              | 15,097             | 0                  | 52,005              | 0                  |
| Total General Obligation Bonds  |                   | <u>9,574,388</u>    | <u>737,662</u>     | <u>(354,216)</u>   | <u>9,957,834</u>    | <u>63,000</u>      |
| Bank Loan:                      |                   |                     |                    |                    |                     |                    |
| School Bus Purchase             | 2014 2.67%        | 0                   | 255,000            | 0                  | 255,000             | 61,710             |
| Capital Leases Payable          |                   | 65,191              | 0                  | (65,191)           | 0                   | 0                  |
| Compensated Absences            |                   | 1,539,393           | 274,666            | (281,406)          | 1,532,653           | 99,165             |
| Total Governmental Activities   |                   | <u>\$11,178,972</u> | <u>\$1,267,328</u> | <u>(\$700,813)</u> | <u>\$11,745,487</u> | <u>\$223,875</u>   |

In fiscal year 2011 the District issued General Obligation Bonds in the amount of \$9,445,000 (School Improvement Bonds, Series 2010) to finance the construction of a new elementary school building. In fiscal years 2012 and 2014 the District issued General Obligation Bonds in the amount of \$448,691 (Energy Conservation Improvement Bonds, Series 2012) and \$722,565 (Energy Conservation Improvement Bonds, Series 2014), respectively, to finance the installation, modification and remodeling of school buildings to conserve energy. Payments of principal and interest on the bonds are recorded as expenditures in the debt service fund (a nonmajor governmental fund).

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***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

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**NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

**A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2014 follows:

| Years     | General Obligation Bonds |                    | Bank Loan        |                 |
|-----------|--------------------------|--------------------|------------------|-----------------|
|           | Principal                | Interest           | Principal        | Interest        |
| 2015      | \$63,000                 | \$511,340          | \$61,710         | \$5,445         |
| 2016      | 64,000                   | 509,197            | 63,096           | 4,059           |
| 2017      | 66,000                   | 507,019            | 64,421           | 2,734           |
| 2018      | 69,000                   | 504,753            | 65,773           | 1,282           |
| 2019      | 72,000                   | 502,386            | 0                | 0               |
| 2020-2024 | 401,000                  | 2,472,980          | 0                | 0               |
| 2025-2029 | 4,718,000                | 2,220,021          | 0                | 0               |
| 2030-2034 | 940,000                  | 1,361,532          | 0                | 0               |
| 2035-2039 | 1,350,000                | 821,634            | 0                | 0               |
| 2040-2044 | 1,625,000                | 375,211            | 0                | 0               |
| 2045      | 365,000                  | 11,435             | 0                | 0               |
| Totals    | <u>\$9,733,000</u>       | <u>\$9,797,508</u> | <u>\$255,000</u> | <u>\$13,520</u> |

**NOTE 13 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into a capital acquisition reserve. During the fiscal year ended June 30, 2014, the reserve activity (cash-basis) was as follows:

|  | Capital<br>Acquisition<br>Reserve |
|--|-----------------------------------|
| Set-aside Cash Balance as of June 30, 2013 | \$0                               |
| Current Year Set-Aside Requirement         | 275,580                           |
| Current Year Offset Credits                | (106,461)                         |
| Qualifying Disbursements                   | (169,119)                         |
| Total                                      | <u>\$0</u>                        |
| Set-aside Reserve Balance June 30, 2014    | <u>\$0</u>                        |

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, the extra amount may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 14 - RISK MANAGEMENT**

##### **A. Insurance Purchasing Pool**

*Sheakley Uniserve Workers' Compensation Group Rating Program* - The School District participates in the Ohio School Board Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-elect and the Immediate Past President of the OSBA. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

##### **B. Other Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2014 the District contracted for various insurance coverages, as follows:

| <u>Insurance Provider</u> | <u>Coverage</u>        | <u>Deductible</u>                       |
|---------------------------|------------------------|---|
| Ohio School Plan          | Automobile             | \$250 Comprehensive;<br>\$500 Collision |
| Ohio School Plan          | Buildings and Contents | \$1,000                                 |
| Ohio School Plan          | Inland Marine Coverage | \$1,000                                 |
| Ohio School Plan          | Boiler and Machinery   | \$1,000                                 |
| Ohio School Plan          | Professional Liability | \$2,500                                 |

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The District also provides life insurance and accidental death and dismemberment insurance to employees through Medical Mutual Insurance Company in the amount of \$20,000 for certified employees, \$20,000 for classified employees working 25 hours or less per week, and \$25,000 for classified employees working more than 25 hours per week.

The District also maintains a limited risk comprehensive health, dental and prescription insurance program for employees. Premiums are paid to a third party administrator, Medical Mutual Insurance Company. The claims are processed by the third party administrator and monitored by the District in conjunction with the third party administrator. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. The outstanding claims at June 30, 2014 for the self-insurance program amounted to \$146,985.

***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

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**NOTE 14 - RISK MANAGEMENT (Continued)**

**B. Other Insurance** (Continued)

The agreement with Medical Mutual Insurance Company requires either party to provide 90 days advance notice to terminate the relationship. Upon termination of the agreement, Medical Mutual Insurance Company shall furnish claims payment services to those claims for which it had received complete information prior to the termination date and at the same charges as were in effect under the agreement unless the School District notifies Medical Mutual Insurance Company in writing at the time of such termination that such services are not required by the District.

Upon termination Medical Mutual Insurance Company shall forward to the District such claims file and other records as the School District may reasonably require for the administration of the Plan or any plan adopted in its place.

The claims liability of \$146,985 reported in the fund at June 30, 2014 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in fiscal 2014 were:

| <u>Fiscal Year</u> | <u>Beginning of<br/>Fiscal Year<br/>Liability</u> | <u>Current Year<br/>Claims and<br/>Changes in<br/>Estimates</u> | <u>Claims<br/>Payments</u> | <u>Balance at<br/>Fiscal<br/>Year End</u> |
|--------------------|---|---|----------------------------|---|
| 2013               | \$ 131,257  | \$ 2,746,685  | \$ (2,752,936)             | \$ 125,006                                |
| 2014               | 125,006   | 3,121,253   | (3,099,274)                | 146,985                                   |

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Coshocton County Joint Vocational School District**

The Coshocton County Joint Vocational School is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The Coshocton City School District students may attend the Joint Vocational School. Each participating School District's control is limited to its representation on the Joint Vocational School Board of Education. During fiscal year 2014, no monies were paid to the Joint Vocational School.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

##### **B. Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)**

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

The OME-RESA is one of twenty-one regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio School Districts. Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by forty-seven member school districts in eleven different Ohio counties. The member school districts are comprised of public school districts and educational service centers. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located in the Jefferson County School building in Steubenville, Ohio. The Jefferson County School is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA. During fiscal year 2014, \$70,512 was paid to OME-RESA for various services.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

##### **C. Coshocton County Tax Incentive Review Council**

The Coshocton County Tax Incentive Review Council (CCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to state statute. CCTIRC has 19 members, consisting of three members appointed by the County Commissioners, three members appointed by municipal corporations, eight members appointed by township trustees, one member from the county auditor's office and four members appointed by boards of education located within the county. CCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the CCTIRC is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2014 no monies were paid to the CCTIRC.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

#### **NOTE 16 - CONTINGENCIES**

##### **A. Grants**

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

##### **B. Litigation**

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2014.

## ***COSHOCTON CITY SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 17 – SIGNIFICANT COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At June 30, 2014 the District had encumbrance commitments in the Governmental Funds as follows:

| <u>Fund</u>               | <u>Encumbrances</u>     |
|---------------------------|-------------------------|
| General Fund              | \$140,425               |
| Classroom Facilities Fund | 99,248                  |
| Other Governmental Funds  | <u>221,607</u>          |
| Total Governmental Funds  | <u><u>\$461,280</u></u> |

#### **NOTE 18 – RELATED PARTY TRANSACTIONS**

##### **A. Operating Lease Agreement**

The Opportunity School leases portions of a building from the District. The lease was entered into on July 1, 2012 and ends on June 30, 2015. The Opportunity School annually pays the District \$1,800 per student in equal monthly installments. For fiscal year 2014 the Opportunity School paid the District a total of \$57,150.

##### **B. Service Agreement**

In fiscal year 2014 the Opportunity School paid the District \$318,855 for services provided by the District to the Opportunity School. In addition, at fiscal year end, the Opportunity School had an outstanding payable of \$10,169 to the District for services provided.

#### **NOTE 19 – SUBSEQUENT EVENT**

On February 14, 2015 the District sold the land at the former site of Central Elementary. The land was sold at public auction to the Coshocton County Commissioners for \$200,000.

**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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

| <b>FEDERAL GRANTOR/<br/>PASS THROUGH GRANTOR/<br/>PROGRAM TITLE</b> | <b>Pass Through<br/>Grantor<br/>Number</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Receipts</b>            | <b>Expenditures</b>       |
|---|--|------------------------------------|----------------------------|---------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                        |  |                                    |                            |                           |
| <i>(Passed Through Ohio Department of Education)</i>                |  |                                    |                            |                           |
| Child Nutrition Cluster:  |  |                                    |                            |                           |
| Non-Cash Assistance (Food Program):                                 |  |                                    |                            |                           |
| National School Lunch Program                                       | N/A  | 10.555                             | \$45,082                   | \$45,082                  |
| Cash Assistance:  |  |                                    |                            |                           |
| National School Breakfast Program                                   | N/A  | 10.553                             | 169,121                    | 169,121                   |
| National School Lunch Program                                       | N/A  | 10.555                             | 472,143                    | 472,143                   |
| Total Child Nutrition Cluster                                       |  |                                    | <u>686,346</u>             | <u>686,346</u>            |
| Total U.S. Department of Agriculture                                |  |                                    | 686,346                    | 686,346                   |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                          |  |                                    |                            |                           |
| <i>(Passed Through Ohio Department of Education)</i>                |  |                                    |                            |                           |
| Title I Grants to Local Educational Agencies                        | C1-S1 2013<br>C1-S1 2014                   | 84.010                             | 49,345<br>580,576          | 113,987<br>585,162        |
| Total Title I Grants to Local Educational Agencies                  |  |                                    | <u>629,921</u>             | <u>699,149</u>            |
| Special Education Cluster (IDEA):                                   |  |                                    |                            |                           |
| Special Education - Grants to States (IDEA, Part B)                 |  |                                    |                            |                           |
|   | 6B-SF 2013<br>6B-SF 2014                   | 84.027                             | 10,233<br>379,460          | 61,339<br>378,990         |
| Total Special Education - Grants to States (IDEA, Part B)           |  |                                    | <u>389,693</u>             | <u>440,329</u>            |
| Special Education - Preschool Grants (IDEA Preschool)               |  |                                    |                            |                           |
|   | 6B-SF 2013<br>6B-SF 2014                   | 84.173                             | 8,077<br>17,022            | 11,146<br>19,065          |
| Total Special Education - Preschool Grants (IDEA Preschool)         |  |                                    | <u>25,099</u>              | <u>30,211</u>             |
| Total Special Education Cluster                                     |  |                                    | 414,792                    | 470,540                   |
| Improving Teacher Quality State Grants                              |  |                                    |                            |                           |
|   | TR-S1-2013<br>TR-S1-2014                   | 84.367                             | 28,605<br>55,307           | 38,924<br>57,752          |
| Total Improving Teacher Quality State Grants                        |  |                                    | <u>83,912</u>              | <u>96,676</u>             |
| Rural Education Program   |  |                                    |                            |                           |
|   | 2012<br>2013<br>2014                       | 84.358                             | 1,309<br>2,995<br>495      | 3,839<br>1,963<br>495     |
| Total Rural Education Program                                       |  |                                    | <u>4,304</u>               | <u>6,297</u>              |
| Teacher Incentive Fund Cluster                                      |  |                                    |                            |                           |
| Teacher Incentive Fund  | 2013<br>2014                               | 84.374                             | 220,580<br>33,246          | 190,815<br>61,139         |
| Total Teacher Incentive Fund  |  |                                    | <u>253,826</u>             | <u>251,954</u>            |
| Teacher Incentive Fund, Recovery Act                                |  |                                    |                            |                           |
|   | 2012<br>2013<br>2014                       | 84.385                             | 20,745<br>20,956<br>41,701 | 37<br>19,862<br>10,152    |
| Total Teacher Incentive Fund, Recovery Act                          |  |                                    | <u>41,701</u>              | <u>30,051</u>             |
| Total Teacher Incentive Fund Cluster                                |  |                                    | 295,527                    | 282,005                   |
| Race to the Top Incentive Grants, Recovery Act                      |  |                                    |                            |                           |
|   | 2012<br>2013<br>2014                       | 84.395                             | 1,050<br>118,163           | 6,965<br>17,110           |
| Total Race to the Top Incentive Grants, Recovery Act                |  |                                    | <u>119,213</u>             | <u>145,784</u>            |
| Total U.S. Department of Education                                  |  |                                    | <u>1,547,669</u>           | <u>1,700,451</u>          |
| <b>Total Federal Awards Receipts and Expenditures Schedule</b>      |  |                                    | <b><u>\$2,234,015</u></b>  | <b><u>\$2,386,797</u></b> |

See accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures.

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

**NOTE C - FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Coshocton City School District  
Coshocton County  
1207 Cambridge Road  
Coshocton, Ohio 43812

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 Coshocton City School District, Coshocton County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 8, 2015.

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

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

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 and Questioned Costs 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 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 and Questioned Costs to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2014-002.

***Entity's Responses to Findings***

The District's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 8, 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

Coshocton City School District  
Coshocton County  
1207 Cambridge Road  
Coshocton, Ohio 43812

To the Board of Education:

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

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

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

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

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

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

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

***Basis for Qualified Opinion on Title I, Part A Program and Teacher Incentive Fund Cluster***

As described in Findings 2014-003 through 2014-007 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the following:

| Finding # | CFDA #         | Program (or Cluster) Name      | Compliance Requirement  |
|-----------|----------------|--------------------------------|---|
| 2014-003  | 84.374, 84.385 | Teacher Incentive Fund Cluster | Activities Allowed or Unallowed, Allowable Costs / Cost Principles, Eligibility, Period of Availability |
| 2014-004  | 84.374, 84.385 | Teacher Incentive Fund Cluster | Activities Allowed or Unallowed, Allowable Costs / Cost Principles, Period of Availability              |
| 2014-005  | 84.010         | Title I, Part A Program        | Activities Allowed or Unallowed, Allowable Costs / Cost Principles                                      |
| 2014-006  | 84.374, 84.385 | Teacher Incentive Fund Cluster | Reporting   |
| 2014-007  | 84.010         | Title I, Part A Program        | Procurement, Suspension and Debarment   |

Compliance with these requirements is necessary, in our opinion, for the District to comply with the requirements applicable to these programs.

***Qualified Opinion on Title I, Part A Program and Teacher Incentive Fund Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I, Part A Program and Teacher Incentive Fund Cluster* paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I, Part A Program and Teacher Incentive Fund Cluster for the year ended June 30, 2014.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as findings 2014-003 through 2014-007 to be material weaknesses.

The District's responses to our internal control over compliance findings are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 8, 2015

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**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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

| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |   |  |
|--|---|--|
| <i>(d)(1)(i)</i>                       | <b>Type of Financial Statement Opinion</b>  | Unmodified                                 |
| <i>(d)(1)(ii)</i>                      | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>  | Yes  |
| <i>(d)(1)(ii)</i>                      | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>   | No   |
| <i>(d)(1)(iii)</i>                     | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>  | Yes  |
| <i>(d)(1)(iv)</i>                      | <b>Were there any material internal control weaknesses reported for major federal programs?</b>   | Yes  |
| <i>(d)(1)(iv)</i>                      | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>   | No   |
| <i>(d)(1)(v)</i>                       | <b>Type of Major Programs' Compliance Opinion</b> <ul style="list-style-type: none"> <li>• Title 1 Grants to Local Educational Agencies CFDA #84.010 – Unmodified except for Section A, Activities Allowed or Unallowed, Section B, Allowable Costs/Cost Principles, Section H, Period of Availability and Section I, Procurement and Suspension and Debarment.</li> <li>• Teacher Incentive Fund Cluster, Teacher Incentive Fund CFDA #84.374 and Teacher Incentive Fund, Recovery Act CFDA #84.385 – Unmodified except for Section A, Activities Allowed or Unallowed, Section B, Allowable Costs/Cost Principles, Section E, Eligibility, Section H, Period of Availability and Section L, Reporting.</li> </ul> |  |
| <i>(d)(1)(vi)</i>                      | <b>Are there any reportable findings under § .510(a)?</b>   | Yes  |
| <i>(d)(1)(vii)</i>                     | <b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies CFDA #84.010</li> <li>• Special Education – Grants to States CFDA #84.027 and Special Education – Preschool Grants CFDA #84.173</li> <li>• Teacher Incentive Fund CFDA #84.374 and Teacher Incentive Fund, Recovery Act CFDA #84.385</li> </ul>   |  |
| <i>(d)(1)(viii)</i>                    | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others |
| <i>(d)(1)(ix)</i>                      | <b>Low Risk Auditee?</b>  | No   |

**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|---|

**Finding Number 2014-001**

**Financial Reporting – Material Weakness**

Errors were noted in the District's financial statements and GAAP conversion that required audit adjustments and reclassifications as follows:

- The District had a reappraisal performed of capital assets in fiscal year 2014. However, the District incorrectly reported the results of its reappraisal and did not correctly report the additions, such as, the Building and Improvements, Land Improvements and Machinery and Equipment, relating to the completion of Coshocton Elementary School. Also, the District did not properly remove the Machinery and Equipment disposed of when the District sold South Lawn Elementary and demolished Lincoln Elementary and South Lawn Elementary. As a result, beginning capital assets, net of depreciation, were overstated by \$1,617,801. Capital assets, net of depreciation, were overstated by \$2,537,946 at June 30, 2014;
- The District reported the compensated absences portion of its long term liabilities utilizing the vesting method. When utilizing this method, Governmental Accounting Standards Board (GASB) Statement 16 paragraph 8b indicates that the sick leave liability portion of compensated absences should be based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. The District estimated this liability by utilizing sick leave earned and used, regardless of whether or not it was related to employee termination or retirement. The estimation did not conform to GASB 16, paragraph 8b as the liability was not estimated based upon termination payments or employees expected to be eligible to retire and receive benefits. As a result, the District incorrectly reported \$236,526 of long term liabilities as due within one year instead of due in more than one year. Additionally, the District had \$54,285 in known retirees to be paid sick leave retirement after 2014. This amount was incorrectly included in the reported long term liabilities due in more than one year component instead of the due within one year;
- The District incorrectly reported revenue and expenditures paid on-behalf of the District twice. This resulted in intergovernmental revenue and capital outlay being overstated by \$39,451. Additionally, this resulted in intergovernmental receivable and unavailable amounts being overstated by \$39,451.

Sound financial reporting is the responsibility of the Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board, to identify and correct errors and omissions.

The District's financial statements have been adjusted accordingly.

**Official's Response:** To improve the financial reporting for capital assets the district will be migrating away from a third party appraisal service in favor of tracking equipment inventory internally upon purchase. In February 2015, fixed assets were uploaded into the state software Equipment Inventory System (EIS) and in March 2015 fiscal staff was trained on utilizing the EIS system. The EIS system will allow for recording of actual costs at time of purchase to better maintain current inventory records, additions and deletions throughout the year. The result will be improved completeness and accuracy of financial reporting of District assets.

**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
|---|

**Finding Number 2014-001 (Continued)**

**Financial Reporting – Material Weakness (Continued)**

**Official's Response (Continued):**

To improve the financial reporting for unspent debt proceeds, compensated absences and other incorrect reporting the District will utilize an accounting firm to conduct all elements of the conversation of the annual financial statement from a cash basis to a GAAP basis. Previously, some elements of the conversation were conducted in house while other elements were conducted by a contracted firm. This dual entity approach can lead to a breakdown in communication during the hand-off that result in errors. For a more uniform approach the contracted accounting firm will be requested to conduct all aspect of the conversation since its staff should be more informed about GASB pronouncements to ensure accurate reporting of complex financial transactions

**Finding Number 2014-002**

**Finding for Recovery Repaid Under Audit/Noncompliance**

The Coshocton City Education Association and the Coshocton City Board of Education Master Agreement for the period of September 1, 2012 to August 31, 2015 provides in Article 27 that supplemental pay for Summer School Instructors shall be paid at the rate of \$30 per hour.

For pay period ending July 1, 2013, Art Teacher Jennifer Young was compensated \$1,140 for 38 hours worked during a June 2013 summer art camp, as documented on the "Extra Duty - Detention, Testing, Saturday School, Study Table, Opportunity School, and Assessment" approved timesheet. Also, for pay period ending July 19, 2013, Ms. Young was compensated \$1,140 for 38 hours worked during a June 2013 summer art camp as documented on the "Extra Duty - Detention, Testing, Saturday School, Study Table, Opportunity School and Assessment" approved timesheet. However, this was the same approved timesheet for which Ms. Young was compensated in pay period ending July 1, 2013. As a result, Jennifer Young was paid twice for the time and was overcompensated by \$1,140.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jennifer Young and her bonding company, the Ohio School Plan Insurance Company, and Gary Lowe, former Treasurer and his bonding company, The Cincinnati Insurance Company, jointly and severally, in the amount of \$1,140, and in favor of the Coshocton City School District's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Therefore, because former Treasurer Gary Lowe approved Ms. Young's payroll as evidenced by Mr. Lowe's signature on the Payroll Certifications for the affected pay periods, he will be jointly and severally liable to the extent recovery is not obtained from Ms. Young.

**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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 2014-002 (Continued)**

**Finding for Recovery Repaid Under Audit/Noncompliance - Coshocton City Education Association and the Coshocton City Board of Education Master Agreement (Continued)**

Ms. Young repaid the District in full, submitting payments on pay period ending November 7, 2014 and November 21, 2014.

**Official's Response:** To improve internal controls over the processing of payroll the District fiscal staff will conduct a review of the procedures followed for the submission of manual timesheets. These procedures will be revised where necessary in order for the immediate supervisor to verify that the additional work time presented for payment was worked, that it was not previously submitted for payment and in total is a complete and accurate reflection of all hours worked by the employee.

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

|                                    |                                      |
|------------------------------------|--------------------------------------|
| <b>Finding Number</b>              | 2014-003                             |
| <b>CFDA Title and Number</b>       | Teacher Incentive Fund, CFDA #84.374 |
| <b>Federal Award Number / Year</b> | 2013/2014                            |
| <b>Federal Agency</b>              | U.S. Department of Education         |
| <b>Pass-Through Agency</b>         | Ohio Department of Education         |

**Questioned Costs, Material Weakness and Noncompliance – Section A, Activities Allowed or Unallowed, Section B, Allowable Costs/Cost Principles, Section E, Eligibility and Section H, Period of Availability**

2 C.F.R. Part 225, Appendix A, Section (C)(1)(c) provides that for expenditures of federal funds to be allowable that the expenditure must be authorized or not prohibited under State or local laws and regulations.

During fiscal year 2014, the District used Teacher Incentive Funds (TIF) for the payment of expenditures which were not for purposes allowed as outlined by the program's Budget Guide. This resulted in actual questioned costs of \$5,425. Also, incentive award payments and related benefits were made to teachers for serving on various committees. However, the District did not maintain support to verify that these duties were actually completed. These payments resulted in actual questioned costs of \$3,762 and \$23,402 in projected questioned costs. Additionally, one payment made during the period of availability resulted in questioned costs of \$1,047 as the payment was for health insurance benefits and the only employee paid from TIF funds is part time and is not eligible to receive the benefit.

The District should review the grant expenditure guidelines to determine what types of expenditures can be incurred. Also, the District should review all expenditures prior to charging them to grants to ensure that they were incurred for purposes outlined by the grantor. This will help ensure the District does not make unallowable expenditure of federal, state and local funds and remains compliant with allowable expenditure requirements.

**Official's Response:** See Corrective Action Plan.

**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b> |
|--|

|                                    |  |
|------------------------------------|--|
| <b>Finding Number</b>              | 2014-004   |
| <b>CFDA Title and Number</b>       | Title I Grants to Local Educational Agencies, CFDA #84.010 |
| <b>Federal Award Number / Year</b> | C1-S1-2013/2014  |
| <b>Federal Agency</b>              | U.S. Department of Education                               |
| <b>Pass-Through Agency</b>         | Ohio Department of Education                               |

**Questioned Costs, Material Weakness and Noncompliance – Section A, Activities Allowed or Unallowed, Section B, Allowable Costs/Cost Principles and Section H, Period of Availability**

2 C.F.R. Part 225, Appendix A, Section (C) documents the Basic Guidelines for charges to Federal awards to be allowable including be reasonable, necessary and adequately documented. 2 C.F.R. Part 225, Appendix B documents applicable cost principles for charges to Federal awards to be allowable. 34 C.F.R. 200.25 through 200.29 documents specific expenditure requirements for operating school wide programs. As the District did not consolidate all funds, expenditures of Federal funding should be made in accordance with the specific requirements of a school wide program under 34 C.F.R. Part 200.25 through 200.29.

The District made payments to vendors totaling \$9,836 that were not supported by invoices or other acceptable documentation. As a result, we were unable to determine if the costs met federal applicable cost guidelines or were allowable under Title I, Part A. The projected questioned costs as a result of this error totaled \$49,602.

Additionally, 2 C.F.R. Part 215.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. The Ohio Department of Education (ODE) awarded the District the Title I, Part A grant for the period of July 1, 2012 to June 30, 2013. All expenditures obligated during this period must be obligated before September 30, 2013.

The District paid \$937 in salary and benefits to District employees in July 2013 and charged the costs to the 2013 Title I, Part A grant. However, these costs were incurred after June 30, 2013 and should not have been charged to the 2013 Title I, Part A grant.

Overall, the total actual questioned costs are \$10,733 and projected questioned costs are \$50,539.

The District should review Federal expenditure regulations and State grant purchasing requirements to determine what costs are allowable and may be charged to their Federal grant programs. They should only make expenditures that are allowable under these guidelines. This will help mitigate the risk of the District utilizing restricted funds for unallowable purposes. Additionally, the District should review grant expenditure guidelines to determine when expenditures can be incurred. The District should review all expenditures prior to charging them to grants to ensure that they were incurred during the period of availability. Also, the District should implement a system that will ensure that support is maintained for all expenditures made. This will help ensure costs charged to grants are properly supported.

**Official's Response:** See Corrective Action Plan.

**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b> |
|--|

|                                    |                                       |
|------------------------------------|---------------------------------------|
| <b>Finding Number</b>              | 2014-005                              |
| <b>CFDA Title and Number</b>       | Teacher Incentive Funds, CFDA #84.374 |
| <b>Federal Award Number / Year</b> | 2013/2014                             |
| <b>Federal Agency</b>              | U.S. Department of Education          |
| <b>Pass-Through Agency</b>         | Ohio Department of Education          |

**Material Weakness and Noncompliance – Section A, Activities Allowed or Unallowed and Section B, Allowable Costs/Cost Principles**

2 C.F.R. Part 225, Appendix B, Subsection 8.H.(3) states where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

The District pays the Teacher Incentive Fund (TIF) Coordinator a daily rate for services performed for the TIF program. Even though the coordinator is paid from a single source, the coordinator is paid bi-weekly and not salaried. Therefore, the coordinator is required to submit a time sheet in lieu of the single funding certification to support work performed on the grant. The coordinator does submit bi-weekly timesheets; however, during fiscal year 2014, only the second half of the year was the coordinator's bi-weekly timesheets reviewed or approved by the coordinator's supervisor.

To help ensure the accuracy of the coordinator's payroll, the coordinator's time sheets should be reviewed and approved by the coordinator's supervisor. This will help reduce the risk that the coordinator is not paid correctly based on actual hours worked.

This comment was repeated from the prior year's audit. The District's corrective action plan stated that the timesheets would be approved by the employee's supervisor. As all of the coordinator's timesheets were approved after January 2014, it appears that the district has attempted to resolve this issue.

**Official's Response:** See Corrective Action Plan.

**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b> |
|--|

|                                    |                                       |
|------------------------------------|---------------------------------------|
| <b>Finding Number</b>              | 2014-006                              |
| <b>CFDA Title and Number</b>       | Teacher Incentive Funds, CFDA #84.374 |
| <b>Federal Award Number / Year</b> | 2013/2014                             |
| <b>Federal Agency</b>              | U.S. Department of Education          |
| <b>Pass-Through Agency</b>         | Ohio Department of Education          |

**Material Weakness and Noncompliance – Section L, Reporting**

32 C.F.R. 80.41(a) provides that (1) except as provided in paragraphs (a) (2) and (5) of this section grantees will use only the forms specified in paragraphs (a) of this section, and such supplementary or other forms as may from time to time be authorized by OMB, for: (i) submitting financial reports to federal agencies, or (ii) requesting advances or reimbursements when letters of credit are not used; (2) grantees need not apply the forms prescribed in this the forms prescribed in this section in dealing with their sub-grantees. However, grantees shall not impose more burdensome requirements on sub-grantees.

The District is a sub-grantee of the Ohio Department of Education. The award letter for the Year 3 Teacher Incentive Fund (TIF) Incentive Award received by the district states that the Final Expenditure Report (FER) must be received by June 30, 2014.

As of December 2014, the district had not filed the FER for expenditures made in the amount of \$159,576 for incentive based awards earned in year 3 of the TIF program.

The District should review grant reporting guidelines to determine the deadline for filing expenditure reports. Failure to provide the FER could result in the refunding of awarded funds.

**Official's Response:** See Corrective Action Plan.

|                                    |  |
|------------------------------------|--|
| <b>Finding Number</b>              | 2014-007   |
| <b>CFDA Title and Number</b>       | Title I Grants to Local Educational Agencies, CFDA #84.010 |
| <b>Federal Award Number / Year</b> | C1-S1-2013/2014  |
| <b>Federal Agency</b>              | U.S. Department of Education                               |
| <b>Pass-Through Agency</b>         | Ohio Department of Education                               |

**Material Weakness and Noncompliance – Section I, Procurement, Suspension and Debarment**

34 C.F.R. Part 80.36(c) requires that all procurement transactions be conducted in a manner providing full and open competition. Furthermore, 34 C.F.R. Part 80.36(d)(1) requires price or rate quotations to be received from an adequate number of qualified sources for small purchases of \$150,000 (41 U.S.C 403(11)) or less.

COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY

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

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Finding Number 2014-007 (Continued)**

**Material Weakness and Noncompliance – Section I, Procurement, Suspension and Debarment (Continued)**

During 2014, the District made small purchases for the Federal Title I, Part A program. For 38% transactions tested for procurement requirements, the District was unable to provide supporting documentation (such as invoices, purchase orders, etc.) to validate the transaction. Therefore, we were unable to determine the applicability of procurement requirements, and if they had been met, for these transactions. For one additional transaction, support was provided for the transaction; however, the District did not maintain price or rate quotations that would have ensured open competition requirements were satisfied or other documentation that would support that the vendor was a single source provider.

The District should maintain supporting documentation for all transactions. Additionally, the District should review federal and state procurement requirements for the four procurement type of transactions (Small Purchases, Procurement by Sealed Bids, Procurement by Competitive Proposals and Procurement from Noncompetitive Proposals) in order to gain a better understanding of which transactions fall under each type of procurement. Supporting documentation should be maintained in order to demonstrate that the District met federal and state procurement requirements. Also, the District should maintain formal documentation for additional considerations made when selecting a vendor. This will help ensure the District is in compliance with required federal procurement regulations.

**Official's Response:** See Corrective Action Plan.

**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b> |
|----------------|--|------------------|---|
| 2013-001       | Financial Reporting – material adjustments were documented that required adjusting the financial statements.             | No               | Not Corrected. See Schedule of Findings 2014-001  |
| 2013-002       | Ohio Rev. Code § 5705.41(D) – 21% of the expenditures tested were not properly certified.                                | Yes              | Corrected.  |
| 2013-003       | 34 C.F.R. Part 200.25 through 200.29 and 20 U.S.C. § 6314(a)(1) – an employee paid inappropriately from Title I.         | Yes              | Corrected.  |
| 2013-004       | 2 C.F.R. Part 215.28 – FY2013 expenditures were liquidated after September 30 <sup>th</sup> .                            | No               | Not Corrected. See Schedule of Findings 2014-004  |
| 2013-005       | The Elementary and Secondary Education ACT (ESEA) Section 9401- the District spent less on one elementary then required. | Yes              | Corrected.  |
| 2013-006       | 2 C.F.R. Part 225, Appendix B, Subsection 8.H.(3) – the TIF coordinator did not submit time sheets.                      | No               | Not Corrected. See Schedule of Findings 2014-005.   |

**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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

| Finding Number | Planned Corrective Action   | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 2014-003       | <p>The District has received very little authoritative guidance regarding the fiscal management of the TIF grant. Any guidance that was available from the Ohio Department of Education or Battelle For Kids was subject to revision based on frequent reallocations of available funding among TIF participants. Subsequent increases or changes in cost allocation from the original budget were not reflected through an official revised budget that auditors used for evaluation. For example, current inquiries of ODE resulted in the discovery that the percentages of how costs were to be allocated between the TIF Grant and General Fund were later revised from a 70%/30% cost split to a 30%/70% cost split with TIF paying 70% of ACT testing. Based on the auditors feedback as noted above the District immediately created its own internal controls to govern the distribution of the Fiscal 2015 incentive payments to substantiate that TIF Funds were used as authorized. The TIF Coordinator gathered support documents for each payroll element to prove that the incentive payment was indeed earned. This supporting documentation was presented to the Treasurer for review prior to issuing the incentive payments.</p> | Immediately                 | Felecia Drummey, Treasurer |
| 2014-004       | <p>The District has improved the collaboration and training of its grant management staff to ensure program plans are well defined and expenditures monitored throughout the grant period. The Treasurer will conduct a quarterly cash to budget review to track adherence to grant guidelines with planned purchases and communicate those results to the Curriculum Director for improved accountability in the handling of Federal Funds. The quarterly review will also ensure that corrective adjustments can be made in a timely manner for more compliance.</p> <p>The District will eliminate questioned costs that resulted from being unable to locate supporting documents by maintaining appropriate financial records uniformly by transaction number or check number in one central location.</p>   | Immediately                 | Felecia Drummey, Treasurer |

**COSHOCTON CITY SCHOOL DISTRICT  
COSHOCTON COUNTY**

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

| Finding Number | Planned Corrective Action   | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 2014-005       | The TIF Coordinator's time sheets are to be reviewed and approved by the Curriculum Director on a bi-weekly basis. However, there was some confusion internally about who was to approve the TIF Coordinator's time sheet which resulted in a sporadic review and approval process. Current procedures require that the payroll clerk not process the Coordinators time sheet until it has been approved by a supervisor.   | Immediately                 | Felecia Drummey, Treasurer |
| 2014-006       | The District relies on the authoritative guidance and follow through provided by the Ohio Department of Education to ensure uniform application of the grants management. The Ohio Department of Education follow-up mechanisms are essential to ensure program adherence. The new District Treasurer will contact ODE to obtain the appropriate forms necessary to file the year 3 final expenditure report and to learn of any outstanding requirements concerning the TIF monitoring.  | Immediately                 | Felecia Drummey, Treasurer |
| 2014-007       | To provide for more immediate access to records all receipts and vouchers will be maintained in a uniform manner. Previously certain receipts and check vouchers would be maintained by different people in multiple locations depending on the nature of the transaction leading to missing documents. Going forward all receipts will be filed in transaction number order and all checks will be filed in check number order by the accounts payable clerk in the course of her standard daily processing. Any receipts and/or vouchers pulled for review will be immediately re-filed for access in the future. | Immediately                 | Felecia Drummey, Treasurer |

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# Dave Yost • Auditor of State

**COSHOCTON CITY SCHOOL DISTRICT**

**COSHOCTON 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  
APRIL 21, 2015**