



Dave Yost • Auditor of State

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

East Guernsey Local School District
Guernsey County
237 Beymer Road, P.O. Box 128
Old Washington, Ohio 43768

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2014, the School District adopted the provisions of Governmental Accounting Standard No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

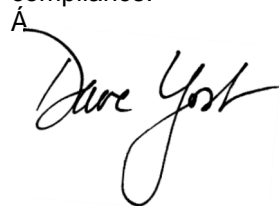
Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (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 this 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 March 16, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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Dave Yost
Auditor of State

Columbus, Ohio

March 16, 2015

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East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position increased \$572,353, which represents a 2.18 percent increase from 2013.
- Capital assets decreased \$663,740 during fiscal year 2014.
- During the year, outstanding debt decreased from \$2,578,489 to \$2,237,164 due to principal payments made exceeding proceeds from a bond refunding.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Reporting the School District's Fiduciary Responsibilities

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

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District as a Whole

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

Table 1
Net Position

	Governmental Activities	
	2014	2013
Assets		
Current and Other Assets	\$ 11,707,649	\$ 11,403,783
Capital Assets	20,542,776	21,206,516
<i>Total Assets</i>	32,250,425	32,610,299
Liabilities		
Other Liabilities	1,228,237	1,276,180
Long-Term Liabilities	2,657,989	2,973,094
<i>Total Liabilities</i>	3,886,226	4,249,274
Deferred Inflows of Resources	1,596,719	2,165,898
Net Position		
Net Investment in Capital Assets	19,000,612	18,677,034
Restricted	3,644,343	3,235,390
Unrestricted	4,122,525	4,282,703
<i>Total Net Position</i>	\$ 26,767,480	\$ 26,195,127

At year end, capital assets represented 64 percent of total assets. Capital assets include, land, land improvements, buildings and building improvements, furniture and equipment and vehicles. The net investment in capital assets was \$19,000,612 at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$3,644,243 or 13.6 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$4,122,525 may be used to meet the government's ongoing obligations to students and creditors.

Intergovernmental receivable increased by \$660,383, which is primarily due to being awarded the Straight A grant in fiscal year 2014. Taxes receivable decreased \$584,292 due to an accumulation of funds in the debt service fund. Capital assets decreased \$663,740 primarily due to depreciation exceeding current year additions. There was also a \$315,105 decrease in long-term liabilities which is primarily due to debt payments made by the District.

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,317,548	\$ 1,350,440
Operating Grants	1,687,743	1,285,448
<i>Total Program Revenues</i>	<u>3,005,291</u>	<u>2,635,888</u>
<i>General Revenues:</i>		
Property Taxes	2,926,325	3,022,145
Grants and Entitlements Not Restricted	6,722,678	6,559,851
Other	95,503	97,802
<i>Total General Revenues</i>	<u>9,744,506</u>	<u>9,679,798</u>
<i>Total Revenues</i>	<u>12,749,797</u>	<u>12,315,686</u>
Program Expenses		
Instruction:		
Regular	4,586,662	4,575,155
Special	1,335,228	1,307,029
Vocational	189,906	128,098
Adult/Continuing	8,040	5,329
Student Intervention Services	0	1,911
Other	109,675	0
Support Services:		
Pupils	1,014,332	703,793
Instructional Staff	324,498	556,386
Board of Education	71,626	38,966
Administration	852,039	905,839
Fiscal	424,950	465,740
Business	0	1,245
Operation and Maintenance of Plant	1,197,708	1,218,894
Pupil Transportation	1,083,841	1,027,173
Central	68,977	57,645
Operation of Non-Instructional Services:		
Food Service Operations	402,050	481,506
Community Services	1,150	11,669
Extracurricular Activities	346,388	328,841
Debt Service:		
Interest and Fiscal Charges	107,547	222,462
Issuance Costs	52,827	0
<i>Total Expenses</i>	<u>12,177,444</u>	<u>12,037,681</u>
<i>Increase (Decrease) in Net Position</i>	572,353	278,005
<i>Net Position at Beginning of Year</i>	<u>26,195,127</u>	<u>25,917,122</u>
<i>Net Position at End of Year</i>	<u>\$ 26,767,480</u>	<u>\$ 26,195,127</u>

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District saw a \$369,403 increase in program revenues during fiscal year 2014. There was a \$402,295 increase in operating grants, primarily due to the School District being awarded a Straight A Grant in fiscal year 2014.

Fluctuations between support services pupils and instructional staff expenses can be attributed to re-coding of expenses in accordance with the revised expenditure standards approved by the State Board of Education on December 11, 2012.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2014	2013	2014	2013
Instruction:				
Regular	\$ 4,586,662	\$ 4,575,155	\$ 3,180,687	\$ 3,475,727
Special	1,335,228	1,307,029	744,565	699,568
Vocational	189,906	128,098	159,571	55,228
Adult/Continuing	8,040	5,329	8,040	5,329
Student Intervention Services	0	1,911	0	1,911
Other	109,675	0	109,675	0
Support Services:				
Pupils	1,014,332	703,793	726,215	623,371
Instructional Staff	324,498	556,386	298,491	323,993
Board of Education	71,626	38,966	71,626	38,966
Administration	852,039	905,839	772,607	852,828
Fiscal	424,950	465,740	424,950	465,740
Business	0	1,245	0	1,245
Operation and Maintenance of Plant	1,197,708	1,218,894	1,156,486	1,177,687
Pupil Transportation	1,083,841	1,027,173	1,083,841	1,027,173
Central	68,977	57,645	68,977	57,645
Operation of Non-Instructional Services:				
Food Service Operations	402,050	481,506	4,937	196,821
Community Services	1,150	11,669	1,150	11,669
Extracurricular Activities	346,388	328,841	199,961	164,430
Debt Service:				
Interest and Fiscal Charges	107,547	222,462	107,547	222,462
Issuance Costs	52,827	0	52,827	0
<i>Total Expenses</i>	\$ 12,177,444	\$ 12,037,681	\$ 9,172,153	\$ 9,401,793

The dependence upon general revenues for governmental activities is apparent. Almost 75 percent of governmental activities are supported through taxes and other general revenues; such revenues are 76 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,128,409 and expenditures of \$11,735,532 for fiscal year.

The general fund's net change in fund balance for fiscal year 2014 was an increase of \$539,540.

The fund balance of the debt service fund decreased by \$132,521, due to the timing of property tax revenue compared to debt payments.

The fund balance of the permanent improvement fund increased by \$138,265, due to the timing of property tax revenue compared to project related expenditures.

General Fund Budgeting Highlights

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

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

For the general fund, actual budget basis revenue of \$10,039,029 was lower than the final budget basis revenue by \$8,915. All of this difference is due to an underestimation of intergovernmental revenue.

Final expenditure appropriations of \$11,029,591 were \$1,223,456 higher than the actual expenditures of \$9,806,135, as cost savings were recognized for instruction and student support services throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$20,542,776 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

East Guernsey Local School District
Guernsey County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

	Governmental Activities	
	2014	2013
Land	\$ 161,329	\$ 161,329
Land Improvements	1,667,508	1,727,205
Buildings and Improvements	18,209,980	18,848,361
Furniture and Equipment	141,596	195,936
Vehicles	362,363	273,685
<i>Totals</i>	<u>\$ 20,542,776</u>	<u>\$ 21,206,516</u>

The \$663,740 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 9 for more information about the capital assets of the School District.

Debt

At June 30, 2014, the School District had \$2,237,164 in debt outstanding. See Notes 14 and 15 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2014	2013
2004 School Facilities Bond	\$ 120,000	\$ 953,539
2011 Refunding Bonds	933,365	1,075,035
2012 House Bill 264 Notes	374,400	403,200
2013 Refunding Bonds	695,000	0
Lease Obligations	114,399	146,715
<i>Total</i>	<u>\$ 2,237,164</u>	<u>\$ 2,578,489</u>

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Teresa Emmerling, Treasurer of East Guernsey Local School District, 237 Beymer Road, Old Washington, Ohio 43768 or email at teresa.emmerling@eguernsey.k12.oh.us.

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East Guernsey Local School District
Guernsey County, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 6,626,050
Cash and Cash Equivalents with Fiscal Agent	1,049,087
Receivables:	
Accounts	9,755
Intergovernmental	871,348
Property Taxes	3,151,409
Nondepreciable Capital Assets	161,329
Depreciable Capital Assets (Net)	20,381,447
<i>Total Assets</i>	32,250,425
Liabilities	
Accounts Payable	110,174
Accrued Wages and Benefits	687,974
Intergovernmental Payable	183,168
Accrued Vacation Leave Payable	32,687
Accrued Interest Payable	9,352
Claims Payable	204,882
Long Term Liabilities:	
Due Within One Year	411,771
Due In More Than One Year	2,246,218
<i>Total Liabilities</i>	3,886,226
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	1,596,719
Net Position	
Net Investment in Capital Assets	19,000,612
Restricted For:	
Capital Outlay	1,780,404
Debt Service	1,255,455
Classroom Facilities Maintenance	74,374
Federal Programs	99,788
Other Purposes	434,322
Unrestricted	4,122,525
<i>Total Net Position</i>	\$ 26,767,480

See accompanying notes to the financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 4,586,662	\$ 1,003,124	\$ 402,851	\$ (3,180,687)
Special	1,335,228	7,856	582,807	(744,565)
Vocational	189,906	0	30,335	(159,571)
Adult/Continuing	8,040	0	0	(8,040)
Other	109,675	0	0	(109,675)
Support Services:				
Pupils	1,014,332	56,342	231,775	(726,215)
Instructional Staff	324,498	0	26,007	(298,491)
Board of Education	71,626	0	0	(71,626)
Administration	852,039	0	79,432	(772,607)
Fiscal	424,950	0	0	(424,950)
Operation and Maintenance of Plant	1,197,708	0	41,222	(1,156,486)
Pupil Transportation	1,083,841	0	0	(1,083,841)
Central	68,977	0	0	(68,977)
Operation of Non-Instructional Services:				
Food Service Operations	402,050	105,796	291,317	(4,937)
Community Services	1,150	0	0	(1,150)
Extracurricular Activities	346,388	144,430	1,997	(199,961)
Debt Service:				
Interest and Fiscal Charges	107,547	0	0	(107,547)
Issuance Costs	52,827	0	0	(52,827)
Total	\$ 12,177,444	\$ 1,317,548	\$ 1,687,743	(9,172,153)

General Revenues

Property Taxes Levied for:	
General Purposes	2,380,037
Debt Service	109,863
Capital Outlay	436,425
Grants and Entitlements Not Restricted to Specific Programs	6,722,678
Investment Earnings	10,276
Miscellaneous	85,227
<i>Total General Revenues</i>	<u>9,744,506</u>
<i>Change in Net Position</i>	572,353
<i>Net Position Beginning of Year</i>	<u>26,195,127</u>
<i>Net Position End of Year</i>	<u><u>\$ 26,767,480</u></u>

See accompanying notes to the financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 3,770,555	\$ 1,181,086	\$ 709,488	\$ 964,921	\$ 6,626,050
Receivables:					
Accounts	0	0	0	9,755	9,755
Interfund	247,273	0	0	0	247,273
Intergovernmental	4,247	0	0	867,101	871,348
Property Taxes	2,533,215	156,924	416,988	44,282	3,151,409
<i>Total Assets</i>	<u>6,555,290</u>	<u>1,338,010</u>	<u>1,126,476</u>	<u>1,886,059</u>	<u>10,905,835</u>
Liabilities					
Accounts Payable	\$ 74,124	\$ 0	\$ 0	\$ 36,050	\$ 110,174
Accrued Wages and Benefits	594,184	0	0	93,790	687,974
Intergovernmental Payable	163,055	0	0	20,113	183,168
Interfund Payable	0	0	0	247,273	247,273
<i>Total Liabilities</i>	<u>831,363</u>	<u>0</u>	<u>0</u>	<u>397,226</u>	<u>1,228,589</u>
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	1,278,925	82,555	212,468	22,771	1,596,719
Unavailable Revenue	532,545	31,836	87,554	683,621	1,335,556
<i>Total Deferred Inflows of Resources</i>	<u>1,811,470</u>	<u>114,391</u>	<u>300,022</u>	<u>706,392</u>	<u>2,932,275</u>
Fund Balances					
Restricted	0	1,223,619	0	971,541	2,195,160
Committed	0	0	826,454	0	826,454
Assigned	259,792	0	0	0	259,792
Unassigned	3,652,665	0	0	(189,100)	3,463,565
<i>Total Fund Balances</i>	<u>3,912,457</u>	<u>1,223,619</u>	<u>826,454</u>	<u>782,441</u>	<u>6,744,971</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 6,555,290</u>	<u>\$ 1,338,010</u>	<u>\$ 1,126,476</u>	<u>\$ 1,886,059</u>	<u>\$ 10,905,835</u>

See accompanying notes to the financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances		\$ 6,744,971
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,542,776
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 674,683	
Property Taxes	660,873	1,335,556
 An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
		844,205
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		
		(9,352)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(1,735,000)	
Energy Conservation Notes	(374,400)	
Bond Premium	(13,365)	
Capital Lease Obligation	(114,399)	
Vacations Payable	(32,687)	
Compensated Absences	(420,825)	(2,690,676)
 <i>Net Position of Governmental Activities</i>		 \$ 26,767,480

See accompanying notes to the financial statements.

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

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$ 2,364,150	\$ 155,472	\$ 384,060	\$ 40,766	\$ 2,944,448
Intergovernmental	6,658,475	36,972	57,564	1,075,665	7,828,676
Investment Income	6,710	0	0	1,593	8,303
Tuition and Fees	986,560	0	0	0	986,560
Extracurricular Activities	131,794	0	0	68,977	200,771
Rentals	24,934	0	0	2,175	27,109
Charges for Services	0	0	0	105,796	105,796
Contributions and Donations	2,286	0	0	3,100	5,386
Miscellaneous	21,360	0	0	0	21,360
Total Revenues	10,196,269	192,444	441,624	1,298,072	12,128,409
Expenditures					
Current:					
Instruction:					
Regular	4,067,502	0	64,210	12,973	4,144,685
Special	741,756	0	0	489,839	1,231,595
Vocational	175,380	0	0	0	175,380
Adult Education	8,040	0	0	0	8,040
Other	108,926	0	0	749	109,675
Support Services:					
Pupils	747,399	0	760	220,606	968,765
Instructional Staff	250,324	0	22,820	18,300	291,444
Board of Education	71,626	0	0	0	71,626
Administration	730,679	0	7,520	77,674	815,873
Fiscal	390,922	6,987	22,070	1,273	421,252
Operation and Maintenance of Plant	1,018,325	0	6,291	152,751	1,177,367
Pupil Transportation	998,939	0	172,792	0	1,171,731
Central	67,666	0	0	0	67,666
Extracurricular Activities	207,601	0	6,896	64,784	279,281
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	384,184	384,184
Community Services	0	0	0	1,150	1,150
Debt Service:					
Principal Retirement	61,116	250,000	0	0	311,116
Interest and Fiscal Charges	18,881	67,978	0	0	86,859
Issuance Costs	0	17,843	0	0	17,843
Total Expenditures	9,665,082	342,808	303,359	1,424,283	11,735,532
Excess of Revenues Over (Under) Expenditures	531,187	(150,364)	138,265	(126,211)	392,877
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	1,334	0	0	0	1,334
Proceeds of General Obligation Bonds	0	695,000	0	0	695,000
Premium on Debt Issuance	0	52,827	0	0	52,827
Insurance Recoveries	7,019	0	0	0	7,019
Payment to Refunded Bond Escrow Agent	0	(729,984)	0	0	(729,984)
Total Other Financing Sources (Uses)	8,353	17,843	0	0	26,196
Net Change in Fund Balance	539,540	(132,521)	138,265	(126,211)	419,073
Fund Balances Beginning of Year	3,372,917	1,356,140	688,189	908,652	6,325,898
Fund Balances End of Year	\$ 3,912,457	\$ 1,223,619	\$ 826,454	\$ 782,441	\$ 6,744,971

See accompanying notes to the financial statements.

East Guernsey Local School District
Guernsey County, Ohio

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

Net Change in Fund Balances - Total Governmental Funds	\$	419,073
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital additions in the current period.		
Capital Asset Additions	\$ 172,792	
Current Year Depreciation	<u>(836,532)</u>	(663,740)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(27,101)	
Intergovernmental	<u>583,938</u>	556,837
Issuance of refunding bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of Net Position as long-term assets and liabilities.		
Payments to Refunding Bond Escrow Agent*	695,000	
Proceeds of Refunding Bonds	(695,000)	
Balance of Unamortized Premium on Refunded Bonds	<u>28,539</u>	28,539
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		311,116
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	(1,890)	
Amortization of Issuance Costs**	(49,007)	
Amortization of Premium on Bonds	<u>1,670</u>	(49,227)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		1,114
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(26,220)	
Vacations Payable	<u>(5,139)</u>	(31,359)
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u>572,353</u>

* The School District used \$34,984 of resources on hand that were paid to the Bond Escrow Agent.

** Prior year issuance costs were written off in current year (immaterial) with the implementation of GASB 65.

See accompanying notes to the financial statements.

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

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 2,318,450	\$ 2,306,709	\$ 2,306,709	\$ 0
Intergovernmental	6,698,117	6,664,197	6,655,218	(8,979)
Investment Income	5,475	5,447	5,447	0
Tuition and Fees	953,463	948,634	948,634	0
Extracurricular Activities	75,837	75,453	75,453	0
Rentals	25,635	25,505	25,505	0
Miscellaneous	22,111	21,999	22,063	64
<i>Total Revenues</i>	10,099,088	10,047,944	10,039,029	(8,915)
Expenditures				
Current:				
Instruction:				
Regular	4,526,351	4,526,852	4,121,469	405,383
Special	830,187	830,301	738,200	92,101
Vocational	200,490	200,517	178,275	22,242
Adult/Continuing Education	8,173	8,174	7,267	907
Other	231,195	231,346	108,926	122,420
Support Services:				
Pupils	828,794	828,908	736,961	91,947
Instructional Staff	281,183	281,222	250,027	31,195
Board of Education	88,501	88,513	78,695	9,818
Administration	878,990	879,110	781,595	97,515
Fiscal	461,180	461,243	410,080	51,163
Operation and Maintenance of Plant	1,213,836	1,214,002	1,079,339	134,663
Pupil Transportation	1,174,606	1,174,767	1,044,456	130,311
Central	78,424	78,434	69,734	8,700
Extracurricular Activities	178,486	178,510	158,709	19,801
Debt Service:				
Principal Retirement	32,389	32,393	28,800	3,593
Interest and Fiscal Charges	15,297	15,299	13,602	1,697
<i>Total Expenditures</i>	11,028,082	11,029,591	9,806,135	1,223,456
<i>Excess of Revenues Over (Under) Expenditures</i>	(928,994)	(981,647)	232,894	1,214,541
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,334	1,334	1,334	0
Refund of Prior Year Expenditures	24,809	24,809	24,809	0
Insurance Recoveries	7,019	7,019	7,019	0
Advances In	72,381	72,381	72,381	0
Advances Out	(247,273)	(247,273)	(247,273)	0
<i>Total Other Financing Sources (Uses)</i>	(141,730)	(141,730)	(141,730)	0
<i>Net Change in Fund Balance</i>	(1,070,724)	(1,123,377)	91,164	1,214,541
<i>Fund Balance Beginning of Year</i>	3,042,298	3,042,298	3,042,298	0
Prior Year Encumbrances Appropriated	275,354	275,354	275,354	0
<i>Fund Balance End of Year</i>	\$ 2,246,928	\$ 2,194,275	\$ 3,408,816	\$ 1,214,541

See accompanying notes to the financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2014

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	\$ 1,049,087
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	204,882
Net Position	
Unrestricted	\$ 844,205

See accompanying notes to the financial statements.

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

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for Services	<u>\$ 2,061,291</u>
Operating Expenses	
Fringe Benefits	13,765
Purchased Services	521,896
Claims	<u>1,527,887</u>
<i>Total Operating Expenses</i>	<u>2,063,548</u>
<i>Operating Loss</i>	<u>(2,257)</u>
Non-Operating Revenues	
Interest	<u>3,371</u>
<i>Change in Net Position</i>	1,114
<i>Net Position Beginning of Year</i>	<u>843,091</u>
<i>Net Position End of Year</i>	<u><u>\$ 844,205</u></u>

See accompanying notes to the financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 2,061,291
Cash Paid for Goods and Services	(521,896)
Cash Paid for Employee Benefits	(13,765)
Cash Paid for Claims	(1,513,495)
<i>Net Cash Provided By Operating Activities</i>	12,135
Cash Flows From Investing Activities	
Interest on Investments	3,371
<i>Net Cash Provided By Investing Activities</i>	3,371
<i>Net Increase in Cash and Cash Equivalents</i>	15,506
<i>Cash and Cash Equivalents, Beginning of Year</i>	1,033,581
<i>Cash and Cash Equivalents, End of Year</i>	\$ 1,049,087
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities	
Operating Loss	\$ (2,257)
Adjustments:	
Increase in Liabilities:	
Claims Payable	14,392
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 12,135

See accompanying notes to the financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 5,309	\$ 27,827
Investments in Segregated Accounts	60,124	0
<i>Total Assets</i>	65,433	\$ 27,827
 Liabilities		
Due to Students	0	\$ 27,827
 Net Position		
Held in Trust for Scholarships	\$ 65,433	

See accompanying notes to the financial statements.

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

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 16,315
Investment Earnings	165
<i>Total Additions</i>	16,480
 Deductions	
Payments in Accordance with Trust Agreements	550
<i>Change in Net Position</i>	15,930
<i>Net Position Beginning of Year</i>	49,503
<i>Net Position End of Year</i>	\$ 65,433

See accompanying notes to the financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The East Guernsey Local School District (the “School District”) was formed in 1976 with the consolidation of Zane Trace Local Schools and Madison Consolidated Local Schools. The School District is located in southeastern Ohio and encompasses the eastern 45% of Guernsey County.

The School District operates under a locally elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. The School Board controls the School District’s two instructional/support facilities, which provide services to approximately 1,195 students and other community members. The School District’s facilities are comprised of the Buckeye Trail Elementary/Middle School and the Buckeye Trail High School at the district educational campus; the Baker Activity Complex athletic fields and track; and the Board of Education and district administrative office.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

The School District participates in the Mid East Career and Technology Center, the Ohio Mid-Eastern Regional Educational Service Agency Informational Technology Center Regional Council of Governments, the Metropolitan Educational Council, and the Educational Regional Service System Region 12, which are defined as jointly governed organizations. The School District also participates in three public entity pools, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Ohio School Plan insurance purchasing pool, and the Jefferson Health Plan, a risk sharing, claims servicing and insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the basic financial statements.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

Debt Service Fund The debt service fund is used to account for the accumulation of resources from a tax levy for, and the payment of, general long-term principal, interest, and related costs.

Permanent Improvement Fund The permanent improvement fund accounts for financial resources to be used for the acquisitions, construction, or improvement of major capital facilities.

The other governmental funds of the School District account for grants and other resources whose uses are restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The following is the School District's only proprietary fund.

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

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

C. Measurement Focus

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

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred 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 School District finances and meets the cash flow needs of its proprietary activity.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

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

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2014, investments were limited to nonnegotiable certificates of deposit, STAR Ohio and STAR Plus. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market price or current share price.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for at June 30, 2014.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$6,710 which includes \$2,963 assigned from other School District funds.

East Guernsey Local School District
Guernsey County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

G. Capital Assets

The only capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land	N/A
Land Improvements	15 - 50 Years
Buildings and Improvements	5 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	6 - 15 Years

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net position.

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I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation when earned, for vacation eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The School District records a liability for accumulated unused sick leave for employees to the extent it is probable that the benefits will result in termination payments based upon an estimate of past experience of making termination payments for sick leave.

The sick leave benefit liability is reported on the government-wide financial statements. On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Bond Discounts and Premiums

Bond premiums and bond discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums, and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

L. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in 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” includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purpose include activities for various local district managed activities and state grants restricted to expenditures for specified purposes.

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

O. Operating Revenues and Expenses

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

P. Extraordinary and Special Items

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

Q. Estimates

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

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R. Budgetary Data

All funds, other than agency funds, are legally required to be appropriated. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

In accordance with the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method that has been approved by school districts in the County. Under this alternative method, the County Budget Commission has waived the requirement for the School District to adopt a tax budget; the Commission does require that the School District provide fiscal reports and projections on an annual basis.

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

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

NOTE 3 – ACCOUNTABILITY

A. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2014 financial statements; however, there was no effect on beginning net position/fund balance.

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

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

B. Deficit Fund Balance

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

Non-major Special Revenue Funds:

Food Service	\$ 8,818
Other Grants	5,738
Miscellaneous Federal Programs	106,930
Title I	67,614

The deficits in these funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the non-major governmental funds and will provide transfers when cash is required, not when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$ 539,540
Net Adjustment for Revenue Accruals	(34,418)
Advances In	72,381
Net Adjustment for Expenditure Accruals	(28,093)
Advances Out	(247,273)
Funds Budgeted Elsewhere**	8,552
Adjustment for Encumbrances	<u>(219,525)</u>
 Budget Basis	 <u>\$ 91,164</u>

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

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

At June 30, 2014, the School District's internal service fund had a balance of \$1,049,087 with the Jefferson Health Plan, a public entity, risk sharing, claims servicing and insurance purchasing pool (see Note 17). The money is held by the claims servicing pool in a pooled account, which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. The classification of cash and cash equivalents for the Jefferson Health Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan, Treasurer, 2023 Sunset Blvd., Steubenville, Ohio 43952.

Deposits

At fiscal year-end, the carrying amount of the District's deposits was \$5,571,141. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2014, \$4,816,684 of the School District's bank balance of \$5,829,618 was exposed to custodial risk as discussed below, while \$1,012,934 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$702,810 held in a STAR Plus account.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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Investments

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

<u>Standard & Poor's Rating</u>	<u>Entity</u>	<u>Fair Value</u>	<u>Investment Maturities in months (0-6)</u>	<u>Percentage of Total Investment</u>
AAAm	STAR Ohio	\$ 1,148,169	\$ 1,148,169	100.00%

Interest Rate Risk The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

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

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

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

NOTE 6 - PROPERTY TAXES

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

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

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

The School District receives property taxes from Guernsey County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$721,745 in the general fund, \$42,533 in the debt service fund, \$116,966 in the permanent improvement fund and \$12,573 in the classroom facilities maintenance fund. The amount available for advance at June 30, 2013, was \$664,304 in the general fund, \$98,122 in the debt service fund, \$107,935 in the permanent improvement fund and \$11,468 in the classroom facilities maintenance fund. The amount available to be advanced at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 115,197,750	91%	\$ 119,661,810	91%
Public Utility Personal Property	11,077,890	9%	11,211,650	9%
Total	\$ 126,275,640	100%	\$ 130,873,460	100%
Full Tax Rate per \$1,000 of assessed valuation	<u>30.10</u>		<u>28.30</u>	

East Guernsey Local School District
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NOTE 7 - RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, intergovernmental, interfund and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$660,873 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Straight A	\$ 400,351
Title I - A	16,226
Title I	282,746
Title II - A	19,608
Title VI-B	9,520
IDEA, Part B	110,522
Medicaid Reimbursement	4,247
Other Reimbursements	28,128
Total	<u>\$ 871,348</u>

NOTE 8 – INTERFUND ACTIVITY

A. Interfund Balances

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

	Interfund Receivable	Interfund Payable
General	\$ 247,273	\$ 0
Food Service	0	22,754
Part B IDEA	0	106,616
Title I	0	103,380
Title II-A	0	14,523
	<u>\$ 247,273</u>	<u>\$ 247,273</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30, 2014. The outstanding advances are expected to be repaid once the anticipated revenues are received.

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NOTE 9 - CAPITAL ASSETS

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

	Balance 06/30/2013	Additions	Reductions	Balance 06/30/2014
Governmental Activities				
<i>Capital Assets, not Being Depreciated</i>				
Land	\$ 161,329	\$ 0	\$ 0	\$ 161,329
 <i>Capital Assets, Being Depreciated</i>				
Land Improvements	2,369,566	0	0	2,369,566
Buildings and Improvements	26,425,786	0	0	26,425,786
Furniture and Equipment	672,514	0	0	672,514
Vehicles	1,749,654	172,792	(50,094)	1,872,352
Total Capital Assets, Being Depreciated	31,217,520	172,792	(50,094)	31,340,218
 Less: Accumulated Depreciation				
Land Improvements	(642,361)	(59,697)	0	(702,058)
Buildings and Improvements	(7,577,425)	(638,381)	0	(8,215,806)
Furniture and Equipment	(476,578)	(54,340)	0	(530,918)
Vehicles	(1,475,969)	(84,114)	50,094	(1,509,989)
Total Accumulated Depreciation	(10,172,333)	(836,532) *	50,094	(10,958,771)
Total Capital Assets Being Depreciated, Net	21,045,187	(663,740)	0	20,381,447
Governmental Activities Capital Assets, Net	\$ 21,206,516	\$ (663,740)	\$ 0	\$ 20,542,776

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 420,275
Special	101,939
Vocational	15,532
Support Services:	
Pupil	46,939
Instructional Staff	33,409
Administration	23,710
Fiscal	2,391
Operation and Maintenance of Plant	21,531
Pupil Transportation	85,599
Operation of Non-Instructional Services	18,256
Extracurricular Activities	66,951
Total Depreciation	\$ 836,532

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NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with the Ohio School Plan for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible for property losses and crimes. Professional and general liability is also protected by the Ohio School Plan with a \$2,000,000 single occurrence limit and a \$5,000,000 general aggregate limit, and no deductible. Violence coverage is provided by the Ohio School Plan with an aggregate limit of \$500,000. Vehicles are covered by the Ohio School Plan Educational Automobile Insurance plan, with a \$1,000 deductible for comprehensive and collision for school buses, and a \$250 deductible for comprehensive and a \$500 deductible for collision for non-bus vehicles. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group rating Program (the Plan), an insurance purchasing pool (see Note 17). The plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Total savings is then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of CompManagement Inc provides administrative, cost control and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

Health and dental coverages are provided on a self-insured basis through the Jefferson Health Plan. A third party administrator, Self-Funded Plans, Inc, reviews and pays the claims. For fiscal year 2014, the School District paid monthly premiums of \$1,861.84 for family coverage (full rate \$2,055.09) and \$779.25 for individual coverage (full rate \$860.19). Monthly premiums for dental coverage were \$71.46 for family and \$28.46 for single coverage, paid in full by the Board. Usually, premiums are charged to the same fund(s) that pay the employees' salaries. However, if state and/or federal program grant funding is not sufficient to cover those costs, the general fund will pay the difference, or the full amount if necessary.

The claims liability of \$204,882 reported in the internal service fund at June 30, 2014 is based on information provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Claims	Payments	Balance at End of Year
2013	\$ 197,712	\$ 1,452,672	\$ 1,459,894	\$ 190,490
2014	\$ 190,490	\$ 1,527,887	\$ 1,513,495	\$ 204,882

NOTE 11 - PENSION PLANS

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$193,805, \$170,626 and \$132,158, respectively; 67 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

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

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$467,694, \$479,917 and \$518,262, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$7,996 made by the School District and \$6,282 made by the plan members.

C. Social Security System

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

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NOTE 12 – POST EMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at 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 fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$24,737, \$24,884, and \$27,327, respectively; 67 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$10,521, \$9,638, and \$7,909, respectively; 67 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$33,407, \$36,917, and \$36,608, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees who work 260 days earn ten to twenty-five days of vacation per year, depending upon length of service and/or Board action. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to eligible employees upon termination of employment. Employees who work less than 260 days do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all employees. Upon retirement, payment is made for one-fourth of accrued and unused sick leave credit, (or otherwise if individually contracted) if SERS/STRS retirement prerequisites are met.

B. Other Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all regular employees through Metropolitan Life Insurance Company in the amount of \$20,000 per employee, with administrative personnel being provided \$50,000 of coverage. Supplemental life insurance coverage of \$20,000 for certified employees and \$30,000 for classified employees is purchased by some employees via payroll deduction at a cost of \$0.17 per \$1,000 per month. Vision insurance through Vision Service Plan (VSP) is available to employees enrolling in a mandatory steerage preferred provider organization plan. Those premiums were \$21.16 per month for family coverage, \$9.46 per month for single coverage and are paid in full by the Board of Education.

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NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In the prior fiscal years, the School District entered into capitalized leases for copying equipment. The lease for copying equipment that was approved in prior fiscal years included an amount for the early retirement of the subsequent capital lease, and the replacement equipment was taken on trade as part of the terms of the new lease agreement. Therefore, capitalized copying equipment is less than the amount of the outstanding capital lease liability. The leases meet the criteria of a capital lease since they transfer benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Equipment acquired by lease has been capitalized in the government wide financial statements in the amount of \$120,454, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability, net of the difference between the book value of the traded assets and the amount received for retirement of the existing lease, was recorded in the government wide statements governmental activities. Total principal payments for fiscal year 2014 were \$32,316.

Future minimum lease payments through 2014 are as follows:

			Governmental Activities
			<u>Capital Lease</u>
Year ending December 31,	2015	\$	37,596
	2016		37,596
	2017		37,596
	2018		9,399
Minimum lease payments			<u>122,187</u>
Less: amount representing interest at the School's incremental borrowing rate of interest			7,788
Present value of net minimum lease payments		\$	<u><u>114,399</u></u>

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NOTE 15 - LONG TERM OBLIGATIONS

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

	Outstanding 6/30/2013	Additions	Reductions	Outstanding 6/30/2014	Amounts Due in One Year
Governmental Activities:					
<i>2004 School Facilities and Improvement Bonds</i>					
Serial/Term Bonds, \$1,730,405 @ 2.25% - 5.25%	\$ 925,000	\$ 0	\$ (805,000)	\$ 120,000	\$ 120,000
Premium, \$69,369	28,539	0	(28,539)	0	0
<i>Total School Facilities and Improvement Bonds</i>	<u>953,539</u>	<u>0</u>	<u>(833,539)</u>	<u>120,000</u>	<u>120,000</u>
<i>2011 Refunding Bonds</i>					
Serial Bonds, \$1,520,000 @ 2.0% - 4.0%	1,060,000	0	(140,000)	920,000	135,000
Premium, \$18,375	15,035	0	(1,670)	13,365	0
<i>2013 Refunding Bonds</i>					
Serial Bonds, \$695,000 @ 5.25% - 5.0%	<u>0</u>	<u>695,000</u>	<u>0</u>	<u>695,000</u>	<u>3,000</u>
<i>Total Refunding Bonds</i>	<u>1,075,035</u>	<u>695,000</u>	<u>(141,670)</u>	<u>1,628,365</u>	<u>138,000</u>
<i>2012 Energy Conservation Notes</i>					
Series 2012, \$432,000 @ 3.5%	403,200	0	(28,800)	374,400	28,800
Capital Leases Payable	146,715	0	(32,316)	114,399	33,632
Compensated Absences	<u>394,605</u>	<u>113,774</u>	<u>(87,554)</u>	<u>420,825</u>	<u>91,339</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 2,973,094</u>	<u>\$ 808,774</u>	<u>\$ (1,123,879)</u>	<u>\$ 2,657,989</u>	<u>\$ 411,771</u>

Capital leases will be paid from the general fund. Compensated absences will be paid from the general fund.

2004 School Facilities and Improvement Bonds - On February 1, 2004, the School District issued \$1,730,405 in voted general obligation bonds (the 2004 bonds) which included serial and term bonds to pay for the improvement of the activity complex at Buckeye Trail High School. The bonds were issued for a 16 year period with a final maturity at December 1, 2019. The bonds were issued at a premium of \$69,369, which is reported as a reduction to bonds payable. This premium is being amortized to interest expense over the life of the bonds using the straight-line method. The bonds are being retired from the debt service fund from the proceeds of a bond issue tax levy.

Fiscal Year	<u>Principal</u>	<u>Interest</u>
2015	<u>\$ 120,000</u>	<u>\$ 37,837</u>

2011 Refunding Bonds - On April 21, 2011, the School District issued \$1,520,000 in voted general obligation bonds (the 2011 bonds) which included serial and term bonds to refund the 2002 Bonds. The bonds were issued to partially refund outstanding 2002 School Facilities Construction Improvement and Refunding General Obligation Bonds. The bonds were issued for an 11 year period with a final maturity at December 1, 2021. At the date of refunding, \$1,478,478 (including premium and after underwriting fees, and other issuance costs), as well as \$700,000 provided from current School District resources paid from the debt service fund, was deposited in an escrow account to be used to fully call and repay the refunded bonds.

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The bonds were issued at a premium of \$18,375, which is reported as a reduction to bonds payable. This premium is being amortized to interest expense over the life of the bonds using the straight-line method. The amount amortized in fiscal year 2014 was \$1,670. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$566,176 and an economic gain of \$162,831.

The bonds are being retired from the debt service fund from the proceeds of a bond issue tax levy. The bonds are not subject to redemption prior to stated maturity.

As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of AA from Standard & Poor's for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

2013 Refunding Bonds - On December 18, 2013 the School District issued \$695,000 in refunded general obligation bonds (the 2013 bonds) which included serial bonds to refund the 2004 Bonds. The bonds were issued to partially refund outstanding 2004 School Facilities and Improvement Bonds. The bonds were issued for a five year period with a final maturity at December 1, 2019. At the date of refunding, \$729,984 (including premium and other issuance costs), was received to pay off old debt. As a result, \$695,000 of the 2003 Series Bonds are considered to be defeased. The liability of the bonds was removed from the financial statements at the time of the refunding. The advance refunding reduced cash flows required for debt service by \$21,757 over the next five years and resulted in an economic gain of \$21,757. As of June 30, 2014 the \$695,000 of the defeased bonds were outstanding. The bonds are being retired from the debt service fund from the proceeds of a bond issue tax levy. The District issued \$729,984 to the bond escrow agent for the refunded 2004 Bonds.

The bonds were issued at a premium of \$52,827 with issuance costs of \$17,843. The premium and issuance costs are being recognized in 2014.

Principal and interest requirements to retire the Refunding Bonds at June 30, 2014 are as follows:

Fiscal Year	Principal	Interest
2015	\$ 138,000	\$ 57,767
2016	262,000	51,903
2017	271,000	42,678
2018	174,000	34,356
2019	178,000	27,155
2020-2022	592,000	35,651
	\$ 1,615,000	\$ 249,510

2012 Energy Conservation Notes - On March 21, 2012, the School District issued \$432,000 in energy conservation notes (the 2012 notes) to pay for the cost of energy conservation capital upgrades. The notes were issued for a 15 year period with a final maturity at December 1, 2026.

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The notes are being retired from the general fund from the resulting savings in energy costs. The notes are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The notes are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts below.

Principal and interest requirements to retire the 2012 note at June 30, 2014 are as follows:

Fiscal Year	Principal	Interest
2015	\$ 28,800	\$ 12,600
2016	28,800	11,592
2017	28,800	10,584
2018	28,800	9,576
2019	28,800	8,568
2020-2024	144,000	29,232
2025-2026	86,400	3,024
	\$ 374,400	\$ 85,176

The School District's overall legal debt margin was \$10,892,830, with an unvoted debt margin of \$130,873 at June 30, 2014.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Mid East Career and Technology Center - The Mid East Career and Technology Center (MECTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the twelve participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2014, the School District made no contributions to the MECTC. To obtain financial information write to the Mid East Career and Technology Center, Treasurer, at 400 Richards Road, Zanesville, Ohio 45701.

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments - The Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Regional Council of Governments (OME-RESA) was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a Board comprised of a representative from each participating school district. The Board possesses its own budgeting and taxing authority. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2014, the total amount paid to OME-RESA from the School District for services provided was \$40,615. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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Metropolitan Educational Council - The Metropolitan Educational Council (MEC) is a consortium of school districts and related agencies in Ohio. The organization is composed of over 187 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2014 was \$456. Financial information may be obtained from the Metropolitan Educational Council, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio 43232.

Educational Regional Service System Region 12 - The School District participates in the Educational Regional Service System Region 12 (ERSS), a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio 43701.

NOTE 17 - PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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Ohio School Plan – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP’s business is conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims and establishing agreements between OSP and member schools.

B. Risk Sharing, Claims Servicing and Insurance Purchasing Pool

The Jefferson Health Plan - The School District participates in the Jefferson Health Plan (the Plan) self-insurance plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of ninety members, including two insurance consortiums. Each participant appoints a member of the insurance plan’s assembly. The Plan’s business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance and vision insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit, which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants’ actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life, and allows for the purchase of vision insurance through Vision Service Plan.

NOTE 18 - SET-ASIDE CALCULATIONS

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

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2013	\$ 0
Current Year Set-aside Requirement	183,700
Current Year Offsets	(478,040)
Totals	\$ (294,340)
Balance Carried Forward to Fiscal Year 2015	\$ 0
Set-aside Restricted Balance as of June 30, 2014	\$ 0

The School District had offsets that reduced the capital improvements set-aside amount to below zero. This excess may not be carried forward to offset future year set-aside requirements. The School District also had prior year debt proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements, if needed.

NOTE 19 – CONTINGENCIES AND COMMITMENTS

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

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

C. Leases

The Board of Education has entered into two “Paid-Up” Oil and Gas Leases effective February 2, 2012 and continuing through February 8, 2017 with Chesapeake Exploration, L.L.C. In consideration of the execution of the leases, the School District received bonuses of \$339,750 during fiscal year 2012. The School District has a total of 68.9520 acres subject to the lease provisions which call for payments to the lessor, in addition to the bonus, royalties, less all taxes, assessments, and adjustments on production from the leasehold in the amount of 20 percent for oil or gas. The total carrying value of the land leased is \$157,229. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the School District has not received any financial compensation beyond the bonus.

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D. Other Commitments

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

Fund	Amount
General	\$ 164,049
Permanent Improvement	64,379
Nonmajor Governmental	72,377
	\$ 300,805

NOTE 20 – FUND BALANCE

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

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

	General	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total
Restricted for:					
Debt Service	\$ 0	\$ 1,223,619	\$ 0	\$ 0	\$ 1,223,619
Capital Outlay	0	0	0	866,396	866,396
Facilities Maintenance	0	0	0	65,436	65,436
Miscellaneous State Programs	0	0	0	2,934	2,934
Miscellaneous Local Programs	0	0	0	36,775	36,775
Total Restricted	0	1,223,619	0	971,541	2,195,160
Committed for:					
Capital Outlay	0	0	826,454	0	826,454
Total Comitted	0	0	826,454	0	826,454
Assigned for:					
Encumbrances:					
Instruction	15,125	0	0	0	15,125
Support Services	144,667	0	0	0	144,667
Subsequent Year Appropriations	100,000	0	0	0	100,000
Total Assigned	259,792	0	0	0	259,792
Unassigned	3,652,665	0	0	(189,100)	3,463,565
<i>Total Fund Balance (Deficit)</i>	\$ 3,912,457	\$ 1,223,619	\$ 826,454	\$ 782,441	\$ 6,744,971

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program (Food Donation)	2013/2014	10.555	\$10,409	\$10,409
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	81,858	81,858
National School Lunch Program	2013/2014	10.555	150,096	150,096
After School Snack Program	2013/2014		5,987	5,987
Cash Assistance Subtotal			<u>237,941</u>	<u>237,941</u>
Total Child Nutrition Cluster			<u>248,350</u>	<u>248,350</u>
Total U.S. Department of Agriculture			248,350	248,350
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	91,700 278,678	82,058 382,058
School Improvement	2014		21,425	911
Total Title I Grants to Local Educational Agencies			<u>391,803</u>	<u>465,027</u>
Special Education Cluster:				
Special Education - Grants to States	2013 2014	84.027	60,612 150,623	19,862 257,239
Total Special Education - Grants to States			<u>211,235</u>	<u>277,101</u>
Special Education - Preschool Grants	2014	84.173	10,477	10,477
Total Special Education Cluster			221,712	287,578
Rural Education	2013 2014	84.358	72 12,691	1,452 12,691
Total Rural Education			<u>12,763</u>	<u>14,143</u>
Improving Teacher Quality State Grants	2013 2014	84.367	10,299 39,643	8,824 54,166
Total Improving Teacher Quality State Grants			<u>49,942</u>	<u>62,990</u>
ARRA - Race to the Top, Recovery Act	2013	84.395	1,050	1,050
Total U.S. Department of Education			<u>677,270</u>	<u>830,788</u>
Total Federal Awards Receipts and Expenditures			<u><u>\$925,620</u></u>	<u><u>\$1,079,138</u></u>

The accompanying notes are an integral part of this schedule.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY 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 East Guernsey Local School District's (the School District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D -SPECIAL EDUCATION PRE-SCHOOL GRANT

The Special Education Pre-School Grant funds are passed-through to the Ohio Valley Educational Service Center who is the fiscal agent for these funds.



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

East Guernsey Local School District
Guernsey County
237 Beymer Road, P.O. Box 128
Old Washington, Ohio 43768

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 East Guernsey Local School District, Guernsey County, Ohio (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2015. We noted the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control. We consider Finding 2014-001 to be a significant deficiency.

Compliance and Other Matters

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

Entity's Response to the Finding

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

Purpose of this Report

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

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

March 16, 2015



Dave Yost • Auditor of State

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

East Guernsey Local School District
Guernsey County
237 Beymer Road, P.O. Box 128
Old Washington, Ohio 43768

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 16, 2015

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Special Education Cluster, CFDA #84.027 and #84.173 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Finding Number 2014-001

Significant Deficiency

All public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The School District is self-funded for the medical coverage provided to their employees. Claims and premiums are tracked through a self-insurance internal service fund. Charges for services in this internal service fund should equal the expenses charged to the other funds.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

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

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

Finding Number 2014-001 (Continued)

Significant Deficiency (Continued)

The May and June 2014 premium amounts expensed from the other funds were not recorded on the School Districts ledgers as charges for services within the self-insurance fund during fiscal year 2014. During the GAAP conversion, the May 2014 premium amounts that were receipted in July of fiscal year 2015 were netted against the June 2013 premium amounts and recorded on the financial statements. The June 2014 premium amounts were not recorded by the School District until August of fiscal year 2015. The Treasurer posted the charges for services and claim expenses from the statements received from their plan provider, Jefferson Health Plan, however these monthly statements did not always reflect the premium amounts in the correct reporting period.

This resulted in cash and cash equivalents with fiscal agent and charges for services amounts to be understated by the June 2014 premium amount. This matter could potentially lead to a material misstatement on the financial statements.

We recommend the Treasurer receipt the employee share and board share of the premiums into the Self-Insurance Internal Service Fund in the same month they are charged to the other funds and then reconcile the amounts to the monthly financial statements received from Jefferson Health Plan in the subsequent month.

Officials' Response: In trying to follow proper posting of the self-insurance fund, the June 2014 Jefferson Health Plan (JHP) statement did not reflect the revenue/cash amount for that particular month as it was not included on the JHP monthly statement. Therefore, the amounts posted reflected the actual amounts on the statement which balanced the District's books with the monthly JHP statement. Also, during the time period in question, there was a discrepancy with the June premium amount. I believe the timing of getting that issue resolved for the posting of the premium amount contributed to the delay of the June accrual amount being reflected accurately for the FY14 posting.

3. FINDINGS FOR FEDERAL AWARDS

None.



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EAST GUERNSEY LOCAL SCHOOL DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2015**