



Dave Yost • Auditor of State



**LOCKLAND LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lockland Local School District  
Hamilton County  
210 North Cooper Road  
Lockland, Ohio 45215

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

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 1D describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lockland Local School District, Hamilton County, Ohio, as of June 30, 2014, and the respective changes in modified cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 1D.

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**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1D of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and long-term debt. *Required budgetary comparison schedule provides budgetary information for the General fund.* This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) also 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.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables, the Schedule, and the *Required budgetary comparison schedule* directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables and the Schedule, we applied no procedures to any other information in Management's Discussion & Analysis and the *Required budgetary comparison schedule*, and we express no opinion or any other assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 19, 2015

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# **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

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

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the Lockland 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 financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2014 are as follows:

- For governmental activities, net position decreased by \$128,910, which represents a 9% decrease from 2013.
- General receipts accounted for \$6.6 million or 82% of all governmental receipts. Program specific receipts in the form of charges for services and sales, and operating and capital grants and contributions accounted for \$1.5 million or 18% of total governmental receipts of \$8.1 million.
- The School District had \$8.2 million in disbursements related to governmental activities; only \$1.5 million of these disbursements were offset by program specific charges for services and sales, and operating and capital grants and contributions. General receipts (primarily taxes and unrestricted grants and entitlements) of \$6.6 million provided resources for these programs but did not cover the full costs resulting in a decrease of \$128,910 in net position.
- The School District's major funds were the general fund and debt service fund. All governmental funds had total receipts of \$8.1 million and disbursements of \$8.2 million. The net change in fund balance for the year was most significant in the general fund, where the general fund's balance decreased by \$194,520.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

### **Report Components**

The Statement of Net Position and Statement of Activities provide information about the cash activities of the School District as a whole. Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

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

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## **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

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

The Statement of Net Position and the Statement of Activities reflect how the School District performed financially during fiscal year 2014, within the limitations of modified cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, the reader can utilize these statements as one measure of the School District's financial condition. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial condition is improving or deteriorating. When evaluating the School District's financial condition, the reader should also consider other nonfinancial factors as well, such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as Governmental Activities.

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

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 major funds.

**Governmental funds.** All 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 the modified cash basis of accounting. 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

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

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**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. All of the School District's fiduciary activity is reported in a separate Statement of Fiduciary Net Position – Modified Cash Basis.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### A. Net position at year-end

The following table presents a condensed summary of the School District's net position of governmental activities at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
Cash and investments	\$ <u>1,372,283</u>	<u>1,501,193</u>
<i>Total Assets</i>	<u><u>1,372,283</u></u>	<u><u>1,501,193</u></u>
<b>Net Position:</b>		
Restricted	850,404	896,778
Unrestricted	<u>521,879</u>	<u>604,415</u>
<i>Total Net Position</i>	\$ <u><u>1,372,283</u></u>	<u><u>1,501,193</u></u>

The restricted net position includes amounts restricted for capital projects, debt service, set-asides and other purposes. These amounts are held to be used for specific purposes. The balance of unrestricted net position (\$521,879) may be used to meet the government's ongoing obligations to citizens and creditors.

Cash and investments decreased by \$128,910 primarily related to a reduction in Federal funding.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

The table below shows the net changes in governmental activities net position for fiscal year 2014 compared to 2013.

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
<b>Receipts:</b>			
Program Receipts:			
Charges for services and sales	\$ 586,880	502,328	84,552
Operating grants and contributions	885,867	1,070,357	(184,490)
Capital grants and contributions	<u>7,200</u>	<u>7,200</u>	<u>-</u>
<i>Total Program Receipts</i>	1,479,947	1,579,885	(99,938)
General Receipts:			
Property taxes	2,610,324	2,582,715	27,609
Grants and entitlements	3,692,952	3,490,804	202,148
Investment earnings	6,085	4,948	1,137
Miscellaneous	<u>264,660</u>	<u>192,403</u>	<u>72,257</u>
<i>Total General Receipts</i>	<u>6,574,021</u>	<u>6,270,870</u>	<u>303,151</u>
<i>Total Receipts</i>	<u>8,053,968</u>	<u>7,850,755</u>	<u>203,213</u>
<b>Disbursements:</b>			
Instruction	4,634,120	4,599,575	34,545
Support services:			
Pupils and instructional staff	594,050	676,207	(82,157)
Board of Education, administration fiscal and business	1,216,624	1,402,175	(185,551)
Operation and maintenance of plant	805,273	1,020,406	(215,133)
Pupil transportation	13,818	15,768	(1,950)
Central	107,579	123,649	(16,070)
Non-instructional services	319,173	339,952	(20,779)
Food services	268,391	341,049	(72,658)
Debt service:			
Principal retirement	215,000	225,000	(10,000)
Interest on long-term debt	<u>8,850</u>	<u>13,250</u>	<u>(4,400)</u>
<i>Total Disbursements</i>	<u>8,182,878</u>	<u>8,757,031</u>	<u>(574,153)</u>
<i>Changes in Net Position</i>	(128,910)	(906,276)	777,366
<i>Beginning Net Position</i>	<u>1,501,193</u>	<u>2,407,469</u>	
<i>Ending Net Position</i>	\$ <u>1,372,283</u>	<u>1,501,193</u>	

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis  
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Of the total governmental activities receipts of \$8,053,968, \$1,479,947 (18%) is from program receipts. This means that the government relies on general receipts to fund the majority of the cost of services provided to the citizens. Of those general receipts, 40% (\$2,610,324) comes from property tax levies and 56% (\$3,692,952) is from state funding. The School District's operations are reliant upon its property tax levy and state's foundation program.

### *Governmental Activities*

The School District's governmental activities net position decreased by \$128,910. With the State's new biennium budget that began July 1, 2013, the School District was a beneficiary of additional state foundation funding. Additionally, the School District saw increased collections from delinquent property taxes and received additional tuition receipts due to a large amount of education disbursements for special needs children. These receipt increases were somewhat offset by decreases in Federal grant allocations.

In November 2013, the School District was placed under Fiscal Caution status by the Ohio Department of Education (ODE). Under monitoring by ODE personnel, the School District was able to reduce its disbursements by \$574,153, or 7%.

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the receipts generated by each function. \$1,479,947 of the cost of the School District's programs was recouped in program receipts. Instruction costs were \$4,634,120, but program receipts contributed to fund 23% of these costs. Thus, general receipts of \$3,555,196 were used to support the remainder of the instruction costs.

	2014		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
<b>Disbursements:</b>				
Instruction	\$ 4,634,120	3,555,196	4,599,575	3,434,206
Support services:				
Pupils and instructional staff	594,050	532,484	676,207	569,513
Board of Education, administration fiscal and business	1,216,624	1,216,624	1,402,175	1,402,175
Operation and maintenance of plant	805,273	805,273	1,020,406	1,020,406
Pupil transportation	13,818	13,818	15,768	15,768
Central	107,579	107,579	123,649	119,416
Non-instructional services	319,173	235,690	339,952	307,693
Food services	268,391	12,417	341,049	69,719
Debt service:				
Principal retirement	215,000	215,000	225,000	225,000
Interest on long-term debt	8,850	8,850	13,250	13,250
<b>Total Disbursements</b>	<b>\$ 8,182,878</b>	<b>6,702,931</b>	<b>8,757,031</b>	<b>7,177,146</b>

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

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

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

### Governmental funds

The School District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these funds comprise \$1,219,644 (89%) of the total \$1,372,283 governmental fund assets.

**General Fund:** Fund balance at June 30, 2014 was \$959,601, a decrease of \$194,520. The reasons for the changes in receipts and disbursements were previously discussed under governmental activities. The increase in other financing uses represents transfers out to cover food service and athletic programs.

	2014	2013	Increase (Decrease)
Receipts	\$ 6,880,094	6,439,429	440,665
Disbursements	(6,699,083)	(7,208,573)	(509,490)
Other financing uses	(375,531)	-	375,531
Net change in fund balance	\$ <u>(194,520)</u>	<u>(769,144)</u>	<u>574,624</u>

**Debt Service Fund:** The fund balance at June 30, 2014 was \$260,043, which is restricted for future principal and interest payments on long-term debt. Current year change in fund balance was a decrease of only \$28,730.

	2014	2013	Increase (Decrease)
Receipts	\$ 196,024	243,044	(47,020)
Disbursements	(224,754)	(240,246)	(15,492)
Net change in fund balance	\$ <u>(28,730)</u>	<u>2,798</u>	<u>(31,528)</u>

### General Fund Budgeting Highlights

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

For the General Fund, the final budget basis receipts and other financing sources were \$6.9 million, an increase from original estimate of \$6.4 million. The increase was primarily due to increase in delinquent tax collections, receipt of insurance proceeds and a workers' compensation premium refund. Final budgeted disbursements and other financing uses were \$7.3 million, a decrease from the original estimate of \$7.5 million. The decrease was primarily due to more conservative spending as a result of being placed under Fiscal Caution status.

### Capital Assets and Debt Administration

#### Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

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

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### ***Debt***

Under the modified cash basis of accounting, the School District does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following information about debt.

At June 30, 2014, the School District had \$320,000 outstanding in School Improvement Refunding Bonds with \$200,000 due within one year. See Note 5 to the basic financial statements for more information regarding debt obligations.

### **Current Financial Related Activities**

The School District had approximately \$522,000 in unrestricted net position on the modified cash basis as of June 30, 2014. As the preceding information shows, the School District heavily depends on its property taxpayers. However, financially the future is not without challenges.

With the phase out of the tax on Tangible Personal Property (TPP) (HB66, 2005) fully completed in 2011, the School District was fully reliant on the phased-in state reimbursement to replace the lost revenue. In 2010, following legislative action, a School District's reliance on TPP reimbursement had to exceed 2% of selected revenue by 2013 in order to continue to receive the TPP reimbursement. After 2013, if the reliance exceeds 2% of selected revenues, the reimbursement is frozen until further action by the State legislature. The School District's TPP reimbursement is currently frozen.

When the new administration began in Fiscal Year 2014, the first order of business was to study the spending patterns from the previous five years. We immediately came to the conclusion that a more fiscally responsible approach was needed in order to survive the next five years. We reduced expenditures across the School District and utilized old dormant funds. This in turn put less pressure on the General Fund. In addition, we have reduced the staff and closed the Arlington Heights Academy. In November 2014, the School District is putting a continuing levy on the ballot. If passed, this will help generate an additional \$700,000 per year in tax receipts. Regardless of the levy, we will continue to reduce expenditures; for, no School District should rely on all aspects of current funding to continue.

The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. All of the School District's financial abilities will be needed to meet the challenges of the future.

### **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 questions about this report or need additional financial information, contact the Treasurer at Lockland Local School District, 210 N. Cooper Avenue, Lockland, Ohio 45215.

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# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Statement of Net Position - Modified Cash Basis

June 30, 2014

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 934,561
Restricted cash	437,722
<b>Total assets</b>	<u>1,372,283</u>
<b>Net Position:</b>	
Restricted for:	
Capital projects	16,476
Debt service	260,043
Set asides	437,722
Other purposes	136,163
Unrestricted	<u>521,879</u>
<b>Total net position</b>	<u>\$ 1,372,283</u>

See accompanying notes to the basic financial statements.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Statement of Activities - Modified Cash Basis

Fiscal Year Ended June 30, 2014

	Cash	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 3,440,798	502,102	189,459	7,200	(2,742,037)
Special education	1,190,722	-	380,163	-	(810,559)
Other instruction	2,600	-	-	-	(2,600)
Support services:					
Pupil	344,898	-	12,708	-	(332,190)
Instructional staff	249,152	-	48,858	-	(200,294)
Board of Education	214,118	-	-	-	(214,118)
Administration	721,539	-	-	-	(721,539)
Fiscal	277,042	-	-	-	(277,042)
Business	3,925	-	-	-	(3,925)
Operation and maintenance of plant	805,273	-	-	-	(805,273)
Pupil transportation	13,818	-	-	-	(13,818)
Central	107,579	-	-	-	(107,579)
Non-instructional services:					
Extracurricular activities	243,574	52,031	-	-	(191,543)
Community service	75,599	-	31,452	-	(44,147)
Food service	268,391	32,747	223,227	-	(12,417)
Debt service:					
Principal retirement	215,000	-	-	-	(215,000)
Interest on long-term debt	8,850	-	-	-	(8,850)
	<u>\$ 8,182,878</u>	<u>586,880</u>	<u>885,867</u>	<u>7,200</u>	<u>(6,702,931)</u>
<b>General Receipts:</b>					
Property taxes, levied for general purposes					2,563,074
Property taxes, levied for debt service					47,250
Grants and entitlements not restricted to specific programs					3,692,952
Investment earnings					6,085
Miscellaneous					<u>264,660</u>
Total general receipts					<u>6,574,021</u>
Change in net position					(128,910)
Net position beginning of year					<u>1,501,193</u>
Net position end of year					<u>\$ 1,372,283</u>

See accompanying notes to the basic financial statements.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Statement of Assets and Fund Balances - Modified Cash Basis

Governmental Funds

June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 521,879	260,043	152,639	934,561
Restricted cash	<u>437,722</u>	-	-	<u>437,722</u>
<b>Total assets</b>	<u><u>959,601</u></u>	<u><u>260,043</u></u>	<u><u>152,639</u></u>	<u><u>1,372,283</u></u>
<b>Fund Balances:</b>				
Restricted	437,722	260,043	152,639	850,404
Assigned	8,459	-	-	8,459
Unassigned	<u>513,420</u>	-	-	<u>513,420</u>
<b>Total fund balances</b>	<u><u>\$ 959,601</u></u>	<u><u>260,043</u></u>	<u><u>152,639</u></u>	<u><u>1,372,283</u></u>

See accompanying notes to the basic financial statements.

## LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Statement of Receipts, Disbursements and Changes in Fund Balance - Modified Cash Basis

Governmental Funds

Fiscal Year Ended June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property taxes	\$ 2,563,074	47,250	-	2,610,324
Tuition and fees	502,102	-	-	502,102
Interest	5,739	-	346	6,085
Charges for services	1,066	-	83,712	84,778
Intergovernmental	3,544,178	148,774	893,067	4,586,019
Miscellaneous	263,935	-	725	264,660
Total receipts	<u>6,880,094</u>	<u>196,024</u>	<u>977,850</u>	<u>8,053,968</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,210,691	-	230,107	3,440,798
Special education	719,577	-	471,145	1,190,722
Other	2,600	-	-	2,600
Support services:				
Pupil	329,291	-	15,607	344,898
Instructional staff	207,884	-	41,268	249,152
Board of Education	213,868	-	250	214,118
Administration	721,539	-	-	721,539
Fiscal	275,366	904	772	277,042
Business	3,925	-	-	3,925
Operation and maintenance of plant	801,638	-	3,635	805,273
Pupil transportation	13,818	-	-	13,818
Central	107,579	-	-	107,579
Non-instructional services:				
Extracurricular activities	47,488	-	196,086	243,574
Community service	43,819	-	31,780	75,599
Food service	-	-	268,391	268,391
Debt Service:				
Principal	-	215,000	-	215,000
Interest and fiscal charges	-	8,850	-	8,850
Total disbursements	<u>6,699,083</u>	<u>224,754</u>	<u>1,259,041</u>	<u>8,182,878</u>
Excess (deficiency) of receipts over disbursements	<u>181,011</u>	<u>(28,730)</u>	<u>(281,191)</u>	<u>(128,910)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	383,609	383,609
Transfers out	(375,531)	-	(8,078)	(383,609)
Total other financing sources (uses)	<u>(375,531)</u>	<u>-</u>	<u>375,531</u>	<u>-</u>
Net change in fund balance	(194,520)	(28,730)	94,340	(128,910)
Fund balance, beginning of year	1,154,121	288,773	58,299	1,501,193
Fund balance, end of year	<u>\$ 959,601</u>	<u>260,043</u>	<u>152,639</u>	<u>1,372,283</u>

See accompanying notes to the basic financial statements.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Statement of Fiduciary Net Position - Modified Cash Basis

Fiduciary Funds

June 30, 2014

	<u>Agency Funds</u>
<b>ASSETS</b>	
Equity in pooled cash and investments	\$ <u>11,694</u>
Total assets	<u><u>11,694</u></u>
 <b>NET POSITION</b>	
Held for students	<u>11,694</u>
Total net position	\$ <u><u>11,694</u></u>

See accompanying notes to the basic financial statements.

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# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

## Notes to the Basic Financial Statements

Year Ended June 30, 2014

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

The financial statements of the Lockland Local School District, Ohio (the "School District") have been prepared on a modified cash basis. The more significant of the School District's accounting policies are described below:

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

The reporting entity is comprised of the primary government, which 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. 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. There are no component units of the School District.

The School District is associated with two organizations that are defined as jointly governed organizations:

**Great Oaks Institute of Technology and Career Development** - The vocational school is a separate body politic and corporate established by the Ohio Revised Code to provide vocational and special education needs of the students. Great Oaks accepts non-tuition students from the School District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the School District. To obtain financial information, write to Great Oaks at 3254 E Kemper Rd. Cincinnati, OH 45241.

**Hamilton/Clermont Cooperative Association (HCCA)** - HCCA is one of 23 regional information technology centers established by the state of Ohio to provide data and internet services for public and non-public schools in the Greater Cincinnati Metropolitan area. A Board of Directors composed of member school's superintendents approves the long term path for the site, as determined by the Site Director and an Executive Committee composed of five superintendents and two treasurers from member schools. To obtain financial information, write to HCCA at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

#### **B. Basis of Presentation**

The School District uses the provisions of GASB 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 providing more detailed financial information.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

## Notes to the Basic Financial Statements

Year Ended June 30, 2014

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***Government-Wide Financial Statements:*** The statement of net position and statement of activities display information about the School District as a whole, except for fiduciary funds. These statements report governmental activities.

The statement of net position presents the cash and investment balances of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the goods or services and grants and contributions restricted to meeting the operational and capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.

***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 report more detailed information about the School District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by type.

### **C. Fund Accounting**

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

### **Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Cash disbursements are assigned to the fund from which they are paid. The following are the School District's major governmental funds:

**General Fund** - This fund is the general 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 fund balance is available to the School District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

**Debt Service Fund** - This fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the School District is obligated in some manner for the payment.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's only fiduciary funds are agency funds.

*Agency Funds* - These funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations, or have a measurement focus. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The School District's agency funds are used to account for student managed activities.

**D. Basis of Accounting**

Although required by the Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2014 is as follows:

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2014**

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1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed tax budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year as reported by the Treasurer.

The Certificate may be further amended during the year for projected increases or if the Treasurer identifies decreases in revenue. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2014.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations that reallocated, increased, or decreased the original appropriated amounts. The Board legally enacted one supplemental appropriations measure during fiscal year 2014.

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2014**

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9. Unencumbered appropriations lapse at year-end. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level. Encumbrance accounting is utilized with School District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end are not included as part of cash disbursements, but are recorded as the equivalent of disbursements on a budgetary basis in order to demonstrate legal compliance. The required supplementary information found after the notes to the financial statements provides a reconciliation of the budgetary and modified cash basis of accounting.

#### **F. Equity in Pooled Cash and Investments**

Cash and investments consist of the total of the total of fund cash balances of all funds as of June 30, 2014. 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. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" in the financial statements.

During fiscal 2014, investments were limited to certificates of deposit, a money market fund and the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2014. The District's money market fund investment is recorded at an amount reported by Fifth Third Bank at June 30, 2014.

The Board of Education allocates investment earnings to various funds in accordance with Ohio statute. Interest receipts for the fiscal year 2014 amounted to \$5,739 in the General Fund and \$346 in Other Governmental Funds.

Restricted cash is reported for the amounts the School District is required to set-aside for capital improvements. An analysis of the Treasurer's investment account at year-end is provided in Note 2.

#### **G. Inventory**

On the modified cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased and are not recorded as assets in the basic financial statements.

#### **H. Capital Assets and Depreciation**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The basic financial statements do not report these assets or the related depreciation.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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***I. Compensated Absences***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified cash basis of accounting.

***J. Long-Term Debt***

These modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments. Additional information regarding debt can be found in Note 5.

***K. Fund Balances***

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

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

***Committed*** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The School District did not report any committed fund balances at June 30, 2014.

***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. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

***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.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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The constraints placed on fund balance for the major and all other governmental funds at June 30, 2014 were:

<u>Fund Balances</u>	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><i>Restricted for:</i></b>				
Food Service Operations	\$ -	-	3,592	3,592
State Grants	-	-	13,929	17,521
Federal Grants	-	-	52,489	52,489
Other Purposes	-	-	66,153	66,153
Debt Service Payments	-	260,043	-	260,043
Capital Improvements	437,722	-	16,476	454,198
<b><i>Total Restricted</i></b>	<u>437,722</u>	<u>260,043</u>	<u>152,639</u>	<u>850,404</u>
<b><i>Assigned to:</i></b>				
Other Purposes	8,459	-	-	8,459
<b><i>Total Assigned</i></b>	<u>8,459</u>	<u>-</u>	<u>-</u>	<u>8,459</u>
<b><i>Unassigned</i></b>	<u>513,420</u>	<u>-</u>	<u>-</u>	<u>513,420</u>
<b><i>Total Fund Balance</i></b>	<u>\$ 959,601</u>	<u>260,043</u>	<u>152,639</u>	<u>1,372,283</u>

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***L. Net Position***

Net position represents the difference between assets and liabilities. On the modified cash basis of accounting, net position equal assets since liabilities are not recorded. The statement reports restricted net position when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use. Restricted for Other Purposes is comprised of net position restricted for grants and scholarships. The School District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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***M. Interfund Transactions***

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when paid or repaid. Both interfund transfers and advances are eliminated in the statement of activities.

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be 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;
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;

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2014**

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments, in stripped principal or interest obligation, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2014**

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The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.

**A. Deposits**

At fiscal year end, the carrying amount of the School District’s deposits was \$1,370,990 and the bank balance was \$1,423,258 . Of the bank balance, \$650,000 was covered by federal depository insurance. The remaining balance was subject to custodial credit risk as it was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the School District’s name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**B. Investments**

At June 30, 2014, the School District’s investment balance was as follows:

<u>Description</u>	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
STAROhio	AAAm	N/A	\$ 12,189
Money Market	AAAm	N/A	\$ 798

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor’s rated the School District’s STAROhio investment as AAAm. The money market fund carries a rating of AAAm by Standard and Poor’s. The Board has no policy on credit risk.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment policy does not address custodial credit risk.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Education’s formal investment policy states that “Investments held by the Treasurer must mature within five (5) years, unless they are matched to a specific obligation or debt of the School District.” This policy is intended to mitigate interest rate risk. STAROhio maturity dates are varied and short and are not subject to interest rate risk.

*Concentration of Credit Risk:* The School District places no limit on the amount it may invest in any one issue. The following investments represent five percent or more of the total investments as of June 30, 2014:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAROhio	94%

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2014**

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**NOTE 3 - INTERFUND TRANSACTIONS**

The General Fund provides advances to the Other Governmental Funds as cash is required and these funds repay such advances as cash is available. There were no advances in fiscal year 2014. The transfers from the General Fund of \$375,531 were to Other Governmental Funds to subsidize those funds. The transfer of \$8,078 between Other Governmental Funds was made to correct miscoding errors made in prior years.

**NOTE 4 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar-year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year, except monies available to be advanced against such distributions which may be appropriated and used in the current fiscal year. Property taxes include amounts levied against all real, public, and certain tangible (i.e., used in business) property located in the School District.

Real property taxes and public utility taxes are levied after April against the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised value.

Public utility property taxes are assessed on tangible personal property as well as land and improvements. Real property is assessed at 35% of true value and tangible personal property is currently assessed at varying percentages of true value. These taxes attach as a lien against local and inter-exchange telephone companies and are levied January 1 of the current year. Tangible personal property tax on business inventory, manufacturing machinery, and equipment is no longer levied and collected.

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

	<u>2013 Second- Half Collections</u>		<u>2014 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 60,042,370	90.41%	59,873,420	89.84%
Personal Property	<u>6,368,450</u>	<u>9.59%</u>	<u>6,771,680</u>	<u>10.16%</u>
Total Assessed Value	\$ <u>66,410,820</u>	<u>100.00%</u>	<u>66,645,100</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$48.59		\$47.19

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**NOTE 5 - LONG-TERM DEBT**

**A. Debt Service Requirements**

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

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 200,000	4,700	204,700
2016	<u>120,000</u>	<u>1,350</u>	<u>121,350</u>
	<u>\$ 320,000</u>	<u>6,050</u>	<u>326,050</u>

**B. Changes in Long Term Debt**

During the year ended June 30, 2014, the following were the changes in long-term obligations.

	<u>Principal Outstanding 7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/14</u>	<u>Amounts Due in One Year</u>
<b><i>Governmental Activities:</i></b>					
<b><i>General Obligation Bonds:</i></b>					
<b>Series 2010, School Improvement Current</b>					
Refunding Bonds, 1%-2.5%, 12/1/15 maturity	\$ 535,000	-	215,000	320,000	200,000
Total	<u>\$ 535,000</u>	<u>-</u>	<u>215,000</u>	<u>320,000</u>	<u>200,000</u>

The School District issued \$995,000 in Series 2010 School Improvement Current Refunding Bonds to refund the Series 2000 Capital Appreciation Refunding Bonds. The bonds will be retired from the Debt Service Fund.

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of a school district should never exceed 9 percent of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the School District. The School District's voted legal debt margin was \$5,678,059 with an unvoted debt margin of \$66,645 at June 30, 2014.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**NOTE 6 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2014, the School District purchased from the Liberty Mutual Insurance Company general liability insurance, which carried a \$1 million per occurrence/\$2 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims have not exceeded these coverage's in any of the past three fiscal years. The School District's annual aggregate limitation was reduced by \$1 million from the prior year.

**Cincinnati USA Regional Chamber Group Rating Program**

For fiscal year 2014, the School District participated in the Cincinnati USA Regional Chamber Group Rating Program, an incentive based program to reduce overall costs. The intent of the Group Rating Program is to achieve the benefit of reduced premiums for the School District by virtue of its grouping and representation with other participants in the group. Each participant pays its individual premium for the program year based on the groups performance.

**NOTE 7- EMPLOYEE RETIREMENT SYSTEMS**

**A. School Employees Retirement System**

The School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined pension system. 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 on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$176,000, \$160,000, and \$154,000 respectively; all of which has been contributed for all three years.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**Plan Options** - New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. 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. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds.

This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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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.

***Combined Plan Benefits*** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

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

A DB and Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates for members and employers.

Contribution requirements and contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The School District's contributions to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$430,000, \$466,000, and \$487,000, respectively; all of which has been contributed for all three years.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS Ohio have an option to choose Social Security or SERS. The School District's liability is 6.2% of wages paid.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**NOTE 8 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute and are funded on a pay-as-you-go basis.

**A. State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for fiscal years ended June 30, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the fiscal years ended June 30, 2014, 2013 and 2012 were approximately \$31,000, \$31,000, and \$34,000, respectively; all of which has been contributed for all three years.

**B. School Employees Retirement System**

SERS administers two postemployment benefit plans:

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 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 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. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%.

The School District's required contribution for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$10,000, \$8,000, and \$8,000, respectively, which equaled the required contributions each year.

## LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

### Notes to the Basic Financial Statements

Year Ended June 30, 2014

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#### Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation was 0.14%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$2,000, \$2,000, and \$6,000, respectively; all of which has been contributed for all three years.

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

#### **NOTE 9 - CONTINGENCIES**

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

The School District receives financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, 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 party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

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**NOTE 10 – REQUIRED SET-ASIDES**

The School District is required by State statute to annually set aside in the general fund an amount based on the 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.

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

	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2013	\$ 336,683
Current year set-aside requirement	102,716
Current year qualifying disbursements	<u>(1,677)</u>
Total	<u>437,722</u>
Set-aside balance as of June 30, 2014	<u>\$ 437,722</u>

**NOTE 11 – COMPLIANCE**

**GAAP Reporting**

Contrary to the Ohio Revised Code § 117.38 and Ohio Administrative Code §117-03(B), the School District does not prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

**NOTE 12 – FINANCIAL CONDITION**

On November 22, 2013, the School District was declared to be in fiscal caution by the Ohio Department of Education. An entity may be released from fiscal caution if the Ohio Department of Education determines that corrective actions have been or are being implemented.

## LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Required Supplemental Information

Schedule of Receipts, Disbursements and Changes in Fund

Balance - Budget and Actual (Budgetary Basis)

General Fund

Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Receipts</b>				
Property taxes	\$ 2,200,811	2,562,907	2,563,074	167
Tuition and fees	510,844	521,223	502,102	(19,121)
Interest	1,960	2,000	5,739	3,739
Intergovernmental	3,629,665	3,356,223	3,544,178	187,955
Miscellaneous	<u>85,125</u>	<u>86,854</u>	<u>74,351</u>	<u>(12,503)</u>
<b>Total receipts</b>	<u>6,428,405</u>	<u>6,529,207</u>	<u>6,689,444</u>	<u>160,237</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,402,270	3,211,405	3,210,691	714
Special education	716,670	743,089	719,577	23,512
Other instruction	9,952	2,600	2,600	-
Support services:				
Pupil	390,919	346,909	329,291	17,618
Instructional staff	204,600	207,884	207,884	-
Board of Education	252,143	213,932	213,868	64
Administration	649,042	725,793	721,539	4,254
Fiscal	347,478	271,023	275,366	(4,343)
Business	4,500	3,925	3,925	-
Operation and maintenance of plant	997,449	807,848	801,638	6,210
Pupil transportation	23,406	20,068	13,818	6,250
Central	127,957	107,579	107,579	-
Non-instructional services:				
Extracurricular activities	<u>26,001</u>	<u>14,911</u>	<u>14,911</u>	<u>-</u>
<b>Total disbursements</b>	<u>7,152,387</u>	<u>6,676,966</u>	<u>6,622,687</u>	<u>54,279</u>
Excess (deficiency) of receipts over disbursements	(723,982)	(147,759)	66,757	214,516
<b>Other financing sources (uses):</b>				
Advances out	(50,000)	-	-	-
Transfers out	(300,000)	(439,157)	(439,157)	-
Other financing sources	-	337,094	337,094	-
Other financing uses	<u>-</u>	<u>(159,308)</u>	<u>(159,308)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(350,000)</u>	<u>(261,371)</u>	<u>(261,371)</u>	<u>-</u>
Net change in fund balance	(1,073,982)	(409,130)	(194,614)	214,516
Fund balance, beginning of year	1,086,735	1,086,735	1,086,735	
Prior year encumbrances appropriated	<u>58,622</u>	<u>58,622</u>	<u>58,622</u>	
Fund balance, end of year	\$ <u>71,375</u>	<u>736,227</u>	<u>950,743</u>	

See accompanying notes to the required supplementary information.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Required Supplementary Information

Fiscal Year Ended June 30, 2014

## Note A Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the modified cash basis of accounting, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual (Budgetary Basis) 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 modified cash basis are that:

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types (modified cash basis). There were no outstanding encumbrances at June 30, 2014.

Certain funds accounted for as separate funds internally with legally adopted budgets (budgetary basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (modified cash basis).

The following tables summarize the adjustments necessary to reconcile the cash basis statements and the budgetary basis schedule:

	<u>General</u>
Net change in fund balance - Cash Basis	\$ (194,520)
Increase / (decrease):	
GASB 54 fund classifications	<u>(94)</u>
Net change in fund balance - Budget Basis	\$ <u>(194,614)</u>

Lockland Local School District  
Hamilton County

**Federal Awards Receipts and Expenditures Schedule  
For the Year Ended June 30, 2014**

Federal Grantor/Program Title	Grant Year	Federal CFDA Number	Federal Receipts	Non-Cash Receipts	Federal Expenditures	Non-Cash Disbursements
<b>U.S. Department of Agriculture:</b>						
<i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
School Breakfast Program	N/A	10.553	\$ 37,460	\$ -	\$ 37,460	\$ -
National School Lunch Program	N/A	10.555	180,163	10,715	180,163	10,715
Nutrition Cluster Total			<u>217,623</u>	<u>10,715</u>	<u>217,623</u>	<u>10,715</u>
Total U.S. Department of Agriculture			<u>217,623</u>	<u>10,715</u>	<u>217,623</u>	<u>10,715</u>
<b>U.S. Department of Education:</b>						
<i>(Passed through Ohio Department of Education)</i>						
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies	2013	84.010	42,600	-	106,461	-
Title I Grants to Local Educational Agencies	2014	84.010	304,764	-	329,473	-
Title I, Part A Cluster Total			<u>347,364</u>	<u>-</u>	<u>435,934</u>	<u>-</u>
Special Education Cluster:						
Special Education - Grants to States	2013	84.027	-	-	24,062	-
Special Education - Grants to States	2014	84.027	130,652	-	134,700	-
Special Education Preschool Grant	2014	84.173	4,567	-	7,768	-
Special Education Cluster Total			<u>135,219</u>	<u>-</u>	<u>166,530</u>	<u>-</u>
Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	2013	84.367	-	-	7,283	-
Improving Teacher Quality State Grants	2014	84.367	30,179	-	30,294	-
			<u>30,179</u>	<u>-</u>	<u>37,577</u>	<u>-</u>
State Fiscal Stabilizaation Fund - Race to the Top Incentative Grant, Recovery Act						
State Fiscal Stabilizaation Fund - Race to the Top Incentative Grant, Recovery Act	2013	84.395	17,792	-	-	-
State Fiscal Stabilizaation Fund - Race to the Top Incentative Grant, Recovery Act	2014	84.395	60,721	-	78,383	-
			<u>78,513</u>	<u>-</u>	<u>78,383</u>	<u>-</u>
Education Technology State Grants						
Education Technology State Grants	2014	84.318	-	-	22,544	-
<i>(Passed Through Hamilton County Educational Service Center)</i>						
English Language Acquisition Grants	2013	84.365	-	-	4,284	-
English Language Acquisition Grants	2014	84.365	9,553	-	16,668	-
			<u>9,553</u>	<u>-</u>	<u>20,952</u>	<u>-</u>
<i>(Passed Through Great Oaks Institute of Technology and Career Development)</i>						
Career and Tecchnical Education - Basic Grants to States	2013	84.048	1,980	-	5,751	-
Total U.S. Department of Education			<u>602,808</u>	<u>-</u>	<u>767,671</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<b>\$ 820,431</b>	<b>\$ 10,715</b>	<b>\$ 985,294</b>	<b>\$ 10,715</b>

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

**LOCKLAND LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – TRANSFERS**

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2014, the Ohio Department of Education (ODE) authorized the following transfers:

Lockland Local School District  
Hamilton County  
Notes to Schedule of Federal Awards Receipts and Expenditures  
Page 2

<u>CFDA</u>		<u>Pass-Through</u>	<u>Transfers</u>	
<u>Number</u>	<u>Program Title</u>	<u>Entity Number</u>	<u>Out</u>	<u>Transfers In</u>
		<u>(or Grant Year)</u>		
84.010	Title I Grants to Local Educational Agencies	2012	\$12,496	
84.010	Title I Grants to Local Educational Agencies	2014		12,496
84.027	Special Education Grants to States	2012	3	
84.027	Special Education Grants to States	2014		3
84.367	Improving Teacher Quality	2012	89	
84.367	Improving Teacher Quality	2014		89
84.173	Special Education Preschool Grant	2010	334	
84.173	Special Education Preschool Grant	2011	240	
84.173	Special Education Preschool Grant	2014		574
84.318	Education Technology State Grants	2009	22,544	
84.318	Education Technology State Grants	2014		22,544
84.365	English Language Acquisition Grants	2008	3,944	
84.365	English Language Acquisition Grants	2011	3,203	
84.365	English Language Acquisition Grants	2014		7,147
84.395	Race to the Top Incentive Grant	2012	408	
84.395	Race to the Top Incentive Grant	2014		408
84.048	Career and Technical Education- Basic Grants	2009	925	
84.048	Career and Technical Education- Basic Grants	2010	188	
84.048	Career and Technical Education- Basic Grants	2011	899	
84.048	Career and Technical Education- Basic Grants	2012	2,009	
84.048	Career and Technical Education- Basic Grants	2014		<u>4,021</u>
<b>Totals</b>			<b><u>\$ 47,282</u></b>	<b><u>\$ 47,282</u></b>

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# Dave Yost • Auditor of State

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

Lockland Local School District  
Hamilton County  
210 North Cooper Road  
Lockland, Ohio 45215

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 Lockland Local School District, Hamilton County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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

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

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 Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 19, 2015



# Dave Yost • Auditor of State

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

Lockland Local School District  
Hamilton County  
210 North Cooper Road  
Lockland, Ohio 45215

To the Board of Education:

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 19, 2015

LOCKLAND LOCAL SCHOOL DISTRICT  
HAMILTON 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)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control 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):	CFDA #84.010 Title I Part A CFDA #10.553: #10.555 Child Nutrition Cluster
<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?	No

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

<i>Finding Number</i>	2014-001
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**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

<i>Finding Number</i>	2014-001 Continued
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Ohio Admin. Code § 117-2-03(B) requires school districts to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The School District can be fined and various other administrative remedies may be taken against the School District. As such we recommend the School District prepare its annual financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

The Lockland LSD understands and appreciates the in depth analysis of a GAAP Financial Report. We are working towards accomplishing this requirement as soon as possible.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

**LOCKLAND LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Failure to file the annual report in accordance with generally accepted accounting principles (GAAP)	No	Reissued, Finding 2014-001
2013-002	Ohio Rev. Code 5705.10(H) Negative Fund Balances	Yes	
2013-003	Ohio Admin. Code 117-2-02(c) (1) official appropriations not posted to the accounting system.	Partially Corrected	Reissued in Management letter

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Lockland Local School District  
Hamilton County  
210 North Cooper Road  
Lockland, Ohio 45215

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Lockland Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus"; Ohio Rev. Code Section 3313.666 required the Board to amend its policy by November 4, 2012.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 19, 2015

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# Dave Yost • Auditor of State

**LOCKLAND LOCAL SCHOOL DISTRICT**

**HAMILTON 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 5, 2015**