
ALGER & ASSOCIATES, Inc.



OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

A&A
SINGLE AUDIT

FOR THE YEAR ENDED

June 30, 2014

Karen S. Alger, CPA, CGFM –
Managing Partner
6927 Burgundy Ave. NW
North Canton, OH 44720
Phone (330) 354-2327
Fax (330) 768-7574

Gary L. Alger, CPA
Partner
6927 Burgundy Ave NW
North Canton, OH 44720
Phone (330) 353-5851
Fax (330) 768-7574



Dave Yost • Auditor of State

Board of Education
Olmsted Falls City School District
26937 Bagley Road
Olmsted Falls, Ohio 44138

We have reviewed the *Independent Auditor's Report* of the Olmsted Falls City School District, Cuyahoga County, prepared by Alger & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Olmsted Falls City School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 30, 2015

This page intentionally left blank.

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	15
STATEMENT OF ACTIVITIES	16
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	17
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES	18
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	19
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS – GENERAL FUND	21
STATEMENT OF FUND NET POSITION – PROPRIETARY FUND	22
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND	23
STATEMENT OF CASH FLOWS PROPRIETARY FUND	24
STATEMENT OF FIDUCIARY NET POSITION	25
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION	26
NOTES TO THE BASIC FINANCIAL STATEMENTS	27
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE	57
NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURE SCHEDULE	58
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	59

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS	61
SCHEDULE OF FINDINGS	63



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Olmsted Falls City School District
Cuyahoga County
26937 Bagley Road
Olmsted Falls, Ohio 44138

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, 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.

Alger & Associates, Inc.

Alger & Associates, Inc.
Certified Public Accountants
North Canton, OH
December 11, 2014

This page intentionally left blank.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Olmsted Falls City District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers may also review the basic financial statements and the notes to those respective statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position totaled \$36,793,573.
- Revenue for governmental activities totaled \$47,430,300 in 2014. Of this total, 91.2 percent consisted of general revenues while program revenues accounted for the balance of 8.8 percent.
- Program expenses totaled \$41,986,836. Instructional expenses comprised 58.5 percent of this total, while support services accounted for 32.5 percent. Other expenses rounded out the balance of 9.0 percent.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The analysis of the District as a whole begins on page 15. While this document contains all of the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "why" or "why not". The Statement of Net Position and the Statement of Activities provide the basis for answering these questions. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting which is similar to that used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

All of the District's programs and services are reported as Governmental Activities in the Statement of Net Position and the Statement of Activities. Governmental Activities consist of functions that are principally supported by taxes and intergovernmental revenues. Such activities include instruction, support services, food service operations and extracurricular activities among others for the District.

The District has one Business-Type Activity which is the internal service self-insurance fund. It is intended that this fund will recover all or a significant portion of its costs through user fees and charges.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 17. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Debt Service Bond Retirement Fund.

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

Proprietary Funds – Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The District has one self-insurance fund.

Fiduciary Funds – The District's private-purpose trust fund accounts for scholarship programs for students. The District's agency funds account for student managed activities, unclaimed monies and services as fiscal agent for two organizations.

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

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The District as a Whole

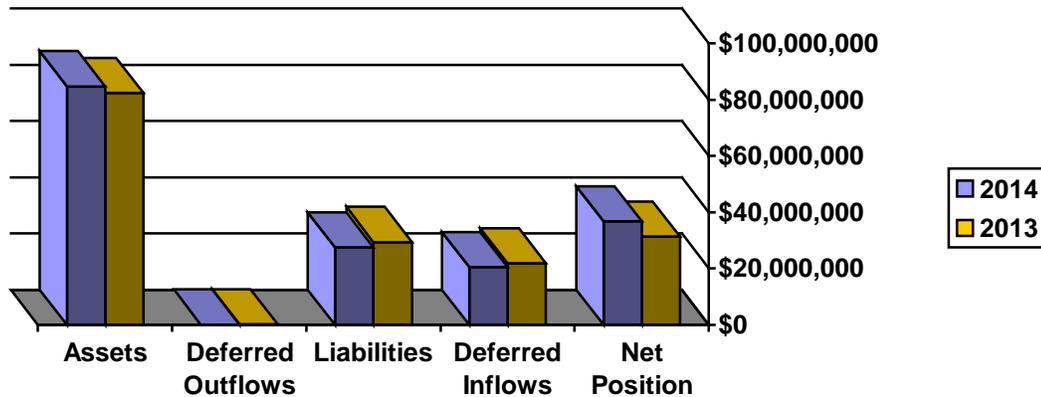
As you may recall, the Statement of Net Position provides the perspective of the School District as a whole. Table 1 compares summaries of the District's net position for 2014 and 2013.

Table 1 - Total Net Position

	2014	2013	Change
Assets			
Current and Other Assets	\$47,020,144	\$44,428,476	\$2,591,668
Capital Assets, Net	37,727,579	38,044,942	(317,363)
Total Assets	84,747,723	82,473,418	2,274,305
Deferred Outflows	112,033	140,041	(28,008)
Liabilities			
Current and Other Liabilities	6,492,532	6,684,306	(191,774)
Long Term Liabilities:			
Due Within One Year	1,551,750	920,456	631,294
Due in More than One Year	19,495,541	21,813,813	(2,318,272)
Total Liabilities	27,539,823	29,418,575	(1,878,752)
Deferred Inflows	20,526,360	21,844,775	(1,318,415)
Net Position			
Net Investment In			
Capital Assets	20,213,197	19,529,887	683,310
Restricted:			
Debt Services	3,546,640	3,185,345	361,295
Capital Projects	564,562	338,774	225,788
Other Purposes	1,508,746	1,437,869	70,877
Unrestricted	10,960,428	6,858,234	4,102,194
Total Net Position	\$36,793,573	\$31,350,109	\$5,443,464

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Graph 1
Net Position
Governmental Activities



Total assets increased by \$2,274,305 and deferred outflows decreased by \$28,008. Property taxes receivable contributed \$30,990,572 or 36.6 percent of total assets. Of this amount \$20,526,360 is offset as deferred inflows, which is revenue to be used in future periods.

Total liabilities for Governmental Activities totaled \$27,539,823; of this amount \$21,047,291 or 76.4 percent is included in long-term liabilities. Total liabilities decreased by \$1,878,752.

By comparing assets and liabilities, one can see the overall position of the District is healthy. The majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$43,270,008 or 91.2 percent of total revenue. The most significant portion of the General revenue is the local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$4,160,292 or 8.8 percent of total revenue.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

Table 2
Changes in Net Position

Table 2 - Governmental Activities

Revenues	2014	2013	Change
Program Revenues:			
Charges for Services and Sales	\$2,585,701	\$2,728,797	(\$143,096)
Operating Grants, Interest and Contributions	1,574,591	1,545,447	29,144
<i>Total Program Revenues</i>	<u>4,160,292</u>	<u>4,274,244</u>	<u>(113,952)</u>
General Revenues:			
Property Taxes	27,964,052	26,045,582	1,918,470
Grants and Entitlements	15,275,805	14,350,819	924,986
Investment Earnings	30,151	48,824	(18,673)
Total General Revenues	<u>43,270,008</u>	<u>40,445,225</u>	<u>2,824,783</u>
Total Revenues	<u>47,430,300</u>	<u>44,719,469</u>	<u>2,710,831</u>
Program Expenses			
Instruction	24,573,902	26,960,965	(2,387,063)
Support Services:			
Pupils and Instructional Staff	3,065,274	3,137,348	(72,074)
Board of Education, Administration			
Fiscal, and Business	3,722,629	3,737,611	(14,982)
Operation and Maintenance of Plant	3,743,181	3,945,012	(201,831)
Pupil Transportation	2,205,301	2,125,997	79,304
Central	894,738	943,662	(48,924)
Operation of Non-Instructional Services:			
Food Service Operations	1,145,043	1,227,355	(82,312)
Other Non-Instructional Services	35,874	5,853	30,021
Extracurricular Activities	1,710,527	1,759,035	(48,508)
Interest and Fiscal Charges	890,367	1,221,576	(331,209)
Total Expenses	<u>41,986,836</u>	<u>45,064,414</u>	<u>(3,077,578)</u>
Change in Net Position	5,443,464	(344,945)	5,788,409
<i>Net Position, Beginning of Year</i>	<u>31,350,109</u>	<u>31,695,054</u>	<u>(344,945)</u>
<i>Net Position, End of Year</i>	<u>\$36,793,573</u>	<u>\$31,350,109</u>	<u>\$5,443,464</u>

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Program revenues decreased in the amount of \$113,952 primarily due to decreases in charges for services and sales; there was a modest increase in grant funding.

General revenues increased by \$2,824,783 mainly due to increases in property tax revenues and grant revenues.

Total fiscal year 2014 expenses decreased by \$3,077,578 due to decreases in amounts expended for almost every program expense category.

Governmental Activities

The District prepared and closely monitored its five-year financial forecast that included forecasted revenues and expenditures for the District's primary General operating fund.

House Bill 920 effectively freezes tax revenue to a specific dollar amount the minute a levy is passed. This House Bill also eliminates any growth from local revenue; therefore, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of academically excellent service.

Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive grant and entitlement funds to help offset some operating costs. Property taxes made up 59.0 percent of revenues for governmental activities for Olmsted Falls City Schools in fiscal year 2014.

Approximately 58.5 percent of the School District's budget is used for instructional expenses. Supporting services for pupils, staff and business operations account for an additional 32.5 percent. The remaining amount of program expenses, roughly 9.0 percent, is budgeted to facilitate other obligations of the District including food service operations, extracurricular activities, and interest and fiscal charges.

The District's net position increased in fiscal year 2014 by \$5,443,464.

The Statement of Activities presents information about the cost of program services and the charges for services and any grants offsetting the cost of providing those services. Table 2, on page 9, shows the total cost of services and the net cost of services for governmental activities. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Graph 2
Program Expenses

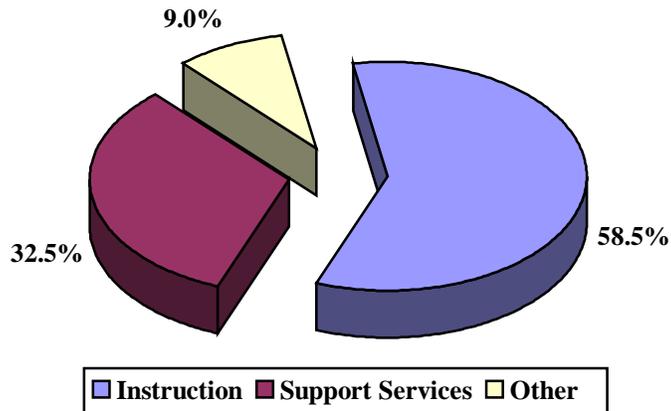


Table 3
Governmental Activities

Programs	Total Cost of Services 2014	Total Cost of Services 2013
Instruction:		
Regular	\$17,854,711	\$20,509,347
Special	6,428,097	6,048,092
Vocational	256,360	360,404
Other	34,734	43,122
Support Services:		
Pupils	2,009,716	1,889,671
Instructional Staff	1,055,558	1,247,677
Board of Education	215,496	199,296
Administration	2,540,642	2,521,538
Fiscal and Business	966,491	1,016,777
Operation and Maintenance of Plant	3,743,181	3,945,012
Pupil Transportation	2,205,301	2,125,997
Central	894,738	943,662
Food Service Operations	1,145,043	1,227,355
Other Non-Instructional Services	35,874	5,853
Extracurricular Activities	1,710,527	1,759,035
Interest and Fiscal Charges	890,367	1,221,576
Total Expenses	\$41,986,836	\$45,064,414

The reliance upon local tax revenues for governmental activities is crucial at Olmsted Falls City Schools. About 66.6 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs, investment earnings and other miscellaneous types of revenues support the remaining general activity costs. Program revenues accounted for only 9.9 percent of all governmental expenses.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The residents of the Olmsted Falls City School District are the greatest source of financial support for the students of Olmsted Falls City Schools.

District Funds

Information pertaining to the District's major funds begins on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$47,040,494 and expenditures and other financing uses of \$44,138,020.

General Fund Budgeting Highlights

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

During the 2014 fiscal year, the School District amended its general fund budget several times.

The General Fund's estimated budget basis revenue totaled \$37,269,132, which was \$700,565 greater than the original budget estimate of \$36,568,567. The estimated budget basis expenditures totaled \$40,278,524, which was \$18,820 greater than the original appropriations of \$40,259,704.

The District's ending fund balance totaled \$7,994,813, which was \$3,289,942 higher than the originally budgeted amount.

Capital Assets and Debt Administration

Capital Assets (net of depreciation)

At the end of fiscal year 2014, the District had \$37,727,579 in land and land improvements, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2014 values compared to 2013.

Table 4
Capital Assets (net of depreciation)

	Governmental Activities		Change
	2014	2013	
Land & Land Improvements	\$1,834,718	\$1,834,718	\$0
Buildings and Improvements	32,032,076	32,282,318	(250,242)
Furniture and Equipment	2,365,850	2,361,409	4,441
Vehicles	1,494,935	1,566,497	(71,562)
Total	\$37,727,579	\$38,044,942	(\$317,363)

For more information on capital assets refer to Note 9 of the basic financial statements.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Debt Administration

At June 30, 2014, the District had \$17,846,935 in long-term bonds and notes outstanding. Table 5 below summarizes the District's bonds and notes outstanding.

Table 5
Outstanding Debt at Year End

	2014	2013
2003 Classroom Facilities Refunding Bonds:		
Bonds	\$3,660,000	\$4,463,441
Premium	140,429	175,536
Deferred Loss On Refunding	(112,033)	(140,041)
2007 School Improvement Bonds:		
Bonds	12,897,591	13,175,799
Premium	317,580	332,351
Discount	(127,632)	(133,568)
2012 Energy Conservation Improvement Bond	566,000	700,000
2013 Tax Anticipation Note	505,000	700,000
Totals	\$17,846,935	\$19,273,518

At June 30, 2014, the District's overall legal debt margin was \$31,182,310. The debt is well within permissible limits. The District maintains an A+ bond rating from Standard and Poors. More detailed information is presented in Note 15 of the notes to the basic financial statements.

District Outlook

Olmsted Falls City School District has continued to maintain the highest standards of services to our students, parents and community. The District is continually presented with challenges and opportunities.

As the preceding information shows, the District heavily depends on its residential property taxpayers. A previous operating levy for new operating money was a 12.9 mill operating levy that passed in 1999. Through prudent management, the District managed without new operating money until an 8.7 mill levy, that will generate \$4,742,114 annually beginning in January 2011, was approved by voters on February 2, 2010.

The continued financial support of the District demonstrates the strong belief of parents and community members that their schools are one of the highest priorities and one of the most important public institutions in their community.

The District has communicated to the community the extent upon which the District relies upon their support for the major part of its operations, and will continue to work diligently to carefully monitor expenses, staying within the District's five-year financial plan. State law generally prohibits the growth of income generated by local levies rendering revenue relatively constant. Unfortunately, this lack of revenue growth forces the District to come back to the voters from time to time and ask for additional financial support.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The Olmsted Falls City School District has committed itself to financial and educational excellence for many years. This report represents the School District's implementation of the Governmental Accounting Standards Board's (GASB) financial reporting model under Governmental Accounting and Financial Reporting Standards Statement No. 34 (GASB Statement No. 34). Olmsted Falls City School District is committed to continuous improvement in financial reporting to our community.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark S. Hullman, Treasurer, at Olmsted Falls City School District, 26937 Bagley Road, Olmsted Falls, Ohio 44138, or e-mail at mhullman@ofcs.net.

Olmsted Falls City School District

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$15,424,269
Interest Receivable	5,200
Accounts Receivable	45,025
Intergovernmental Receivable	242,960
Materials and Supplies Inventory	312,118
Property Taxes Receivable	30,990,572
Nondepreciable Capital Assets	1,834,718
Depreciable Capital Assets, Net	<u>35,892,861</u>
<i>Total Assets</i>	<u>84,747,723</u>
Deferred Outflows	
Loss On Refunding	<u>112,033</u>
Liabilities	
Accounts and Contracts Payable	920,830
Accrued Wages and Benefits Payable	4,238,629
Intergovernmental Payable	666,646
Claims Payable	580,261
Interest Payable	57,211
Unearned Revenue	28,955
Long-Term Liabilities:	
Due Within One Year	1,551,750
Due In More Than One Year	<u>19,495,541</u>
<i>Total Liabilities</i>	<u>27,539,823</u>
Deferred Inflows	
Property Taxes	<u>20,526,360</u>
Net Position	
Net Investment In Capital Assets	20,213,197
Restricted for:	
Debt Services	3,546,640
Capital Projects	564,562
Other Purposes	1,508,746
Unrestricted	<u>10,960,428</u>
<i>Total Net Position</i>	<u><u>\$36,793,573</u></u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$17,854,711	\$1,154,390	\$312,738	(\$16,387,583)
Special	6,428,097	395,865	700,008	(5,332,224)
Vocational	256,360	15,788	0	(240,572)
Other	34,734	2,139	0	(32,595)
Support Services:				
Pupils	2,009,716	123,766	1,000	(1,884,950)
Instructional Staff	1,055,558	65,005	34,428	(956,125)
Board of Education	215,496	13,271	0	(202,225)
Administration	2,540,642	156,462	2,000	(2,382,180)
Fiscal and Business	966,491	59,520	0	(906,971)
Operation and Maintenance of Plant	3,743,181	230,519	0	(3,512,662)
Pupil Transportation	2,205,301	135,810	0	(2,069,491)
Central	894,738	55,101	9,000	(830,637)
Operation of Non-Instructional Services:				
Food Service Operations	1,145,043	70,516	362,537	(711,990)
Other Non-Instructional Services	35,874	2,209	152,880	119,215
Extracurricular Activities	1,710,527	105,340	0	(1,605,187)
Interest and Fiscal Charges	890,367	0	0	(890,367)
<i>Totals</i>	<u>\$41,986,836</u>	<u>\$2,585,701</u>	<u>\$1,574,591</u>	<u>(37,826,544)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	24,321,858
Special Revenue	212,670
Debt Service	2,072,279
Permanent Improvement	1,357,245
Grants and Entitlements not Restricted to Specific Programs	15,275,805
Investment Earnings	30,151
<i>Total General Revenues</i>	<u>43,270,008</u>
Change in Net Position	5,443,464
<i>Net Position, Beginning of Year</i>	<u>31,350,109</u>
<i>Net Position, End of Year</i>	<u>\$36,793,573</u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District

Balance Sheet

Governmental Funds

June 30, 2014

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$9,541,501	\$2,758,827	\$2,432,443	\$14,732,771
Interest Receivable	2,044	3,156	0	5,200
Accounts Receivable	38,696	0	6,329	45,025
Interfund Receivable	584,996	0	0	584,996
Intergovernmental Receivable	0	0	242,960	242,960
Materials and Supplies Inventory	289,132	0	22,986	312,118
Property Taxes Receivable	27,079,743	2,227,278	1,683,551	30,990,572
<i>Total Assets</i>	<u>\$37,536,112</u>	<u>\$4,989,261</u>	<u>\$4,388,269</u>	<u>\$46,913,642</u>
Liabilities and Fund Balances				
Liabilities				
Accounts and Contracts Payable	\$325,535	\$0	\$595,295	\$920,830
Accrued Wages and Benefits Payable	4,093,871	0	144,758	4,238,629
Intergovernmental Payable	641,351	0	25,295	666,646
Unearned Revenue	0	0	28,955	28,955
Interfund Payable	0	0	584,996	584,996
<i>Total Liabilities</i>	<u>5,060,757</u>	<u>0</u>	<u>1,379,299</u>	<u>6,440,056</u>
Deferred Inflows				
Property Taxes	17,995,460	1,442,621	1,088,279	20,526,360
Unavailable Revenue	5,167,734	441,836	576,934	6,186,504
Total Deferred Inflows	<u>23,163,194</u>	<u>1,884,457</u>	<u>1,665,213</u>	<u>26,712,864</u>
Fund Balances				
Nonspendable	289,132	0	122,986	412,118
Restricted	0	3,104,804	1,438,234	4,543,038
Committed	10,000	0	0	10,000
Assigned	1,339,202	0	0	1,339,202
Unassigned	7,673,827	0	(217,463)	7,456,364
<i>Total Fund Balances</i>	<u>9,312,161</u>	<u>3,104,804</u>	<u>1,343,757</u>	<u>13,760,722</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$37,536,112</u>	<u>\$4,989,261</u>	<u>\$4,388,269</u>	<u>\$46,913,642</u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances	\$13,760,722
---	---------------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,727,579
---	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes, accounts, interest and grants receivable.	6,186,504
--	-----------

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	111,237
--	---------

Long-term liabilities not due and payable in the current period and therefore not reported in the funds:	
Tax Anticipation Note Payable	(505,000)
General Obligation Bonds Payable	(17,341,935)
Retirement Incentive Payable	(144,864)
Compensated Absences Payable	(2,943,459)
Accrued Interest Payable	(57,211)

<i>Net Position of Governmental Activities</i>	<u><u>\$36,793,573</u></u>
--	----------------------------

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Revenues				
Property Taxes	\$23,447,359	\$1,998,594	\$1,515,216	\$26,961,169
Intergovernmental	14,839,333	247,692	1,664,815	16,751,840
Interest	32,614	8,531	1,939	43,084
Tuition and Fees	465,293	0	0	465,293
Extracurricular Activities	300,830	0	150,493	451,323
Contributions and Donations	24,668	0	58,582	83,250
Charges for Services	319,128	0	551,553	870,681
Rentals	47,649	0	0	47,649
Miscellaneous	581,730	0	84,475	666,205
<i>Total Revenues</i>	<u>40,058,604</u>	<u>2,254,817</u>	<u>4,027,073</u>	<u>46,340,494</u>
Expenditures				
Current:				
Instruction:				
Regular	17,554,263	0	857,421	18,411,684
Special	5,717,300	0	649,487	6,366,787
Vocational	205,333	0	0	205,333
Other	34,734	0	0	34,734
Support Services:				
Pupils	2,004,542	0	0	2,004,542
Instructional Staff	974,479	0	88,755	1,063,234
Board of Education	215,496	0	0	215,496
Administration	2,473,630	0	7,670	2,481,300
Fiscal	957,368	1,686	1,306	960,360
Operation and Maintenance of Plant	3,452,160	0	227,957	3,680,117
Pupil Transportation	1,864,851	0	143,885	2,008,736
Central	323,965	0	315,278	639,243
Operation of Non-Instructional Services	10,073	0	1,123,171	1,133,244
Extracurricular Activities	957,630	0	791,602	1,749,232
Capital Outlay	0	0	168,688	168,688
Debt Service:				
Principal Retirement	134,000	599,723	195,000	928,723
Interest and Fiscal Charges	11,019	1,365,798	9,750	1,386,567
<i>Total Expenditures</i>	<u>36,890,843</u>	<u>1,967,207</u>	<u>4,579,970</u>	<u>43,438,020</u>
<i>Excess of Revenues Over Expenditures</i>	<u>3,167,761</u>	<u>287,610</u>	<u>(552,897)</u>	<u>2,902,474</u>
Other Financing Sources (Uses)				
Transfers In	0	0	700,000	700,000
Transfers Out	(700,000)	0	0	(700,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(700,000)</u>	<u>0</u>	<u>700,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	2,467,761	287,610	147,103	2,902,474
<i>Fund Balances, Beginning of Year</i>	<u>6,844,400</u>	<u>2,817,194</u>	<u>1,196,654</u>	<u>10,858,248</u>
<i>Fund Balances, End of Year</i>	<u>\$9,312,161</u>	<u>\$3,104,804</u>	<u>\$1,343,757</u>	<u>\$13,760,722</u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds \$2,902,474

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

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

Capital Outlay	1,766,636	
Depreciation	<u>(2,078,603)</u>	(311,967)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from a sale. In the statement of activities, a gain or loss is reported for each disposal. (5,396)

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

Property taxes	1,002,883	
Interest revenues	(12,933)	
Grant revenues	<u>99,856</u>	1,089,806

Some expenses, such as retirement incentive and compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 232,387

The issuance of long-term debt (e.g., bonds, leases, and capital leases) provides current financial resources to the governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,424,923

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 111,237

Change in Net Position of Governmental Activities \$5,443,464

See accompanying notes to the basic financial statements

Olmsted Falls City School District
*Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$21,515,000	\$21,615,000	\$22,001,782	\$386,782
Intergovernmental	13,602,617	14,402,676	14,839,333	436,657
Interest	20,000	20,000	47,177	27,177
Tuition and Fees	70,000	70,000	239,334	169,334
Rentals	32,750	32,750	47,649	14,899
Charges for Services	226,000	226,000	319,128	93,128
Miscellaneous	102,200	102,200	542,858	440,658
<i>Total Revenues</i>	<u>35,568,567</u>	<u>36,468,626</u>	<u>38,037,261</u>	<u>1,568,635</u>
Expenditures				
Current:				
Instruction:				
Regular	18,571,632	18,152,472	17,852,668	299,804
Special	6,256,845	6,256,845	5,995,316	261,529
Vocational	366,936	364,328	271,647	92,681
Adult/Continuing	33,955	33,955	41,201	(7,246)
Support Services:				
Pupils	1,936,212	1,936,212	2,069,377	(133,165)
Instructional Staff	1,073,782	1,073,782	1,050,467	23,315
Board of Education	448,819	448,819	251,623	197,196
Administration	2,611,997	2,611,997	2,529,271	82,726
Fiscal	1,157,022	1,157,022	982,039	174,983
Operation and Maintenance of Plant	3,830,560	3,895,560	3,786,586	108,974
Pupil Transportation	1,887,585	1,906,745	1,982,524	(75,779)
Central	445,565	445,565	385,554	60,011
Operations of Non-Instructional Services:				
Food Services Operations	9,897	9,897	10,351	(454)
Extracurricular Activities	533,820	555,248	600,323	(45,075)
Debt Service:				
Principal Retirement	134,000	134,000	134,000	0
Interest and Fiscal Charges	11,077	11,077	11,019	58
<i>Total Expenditures</i>	<u>39,309,704</u>	<u>38,993,524</u>	<u>37,953,966</u>	<u>1,039,558</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,741,137)</u>	<u>(2,524,898)</u>	<u>83,295</u>	<u>2,608,193</u>
Other Financing Sources (Uses)				
Advances In	1,000,000	800,506	800,506	0
Advances Out	(250,000)	(585,000)	(584,996)	4
Transfers Out	(700,000)	(700,000)	(700,000)	0
<i>Net Change in Fund Balance</i>	<u>(3,691,137)</u>	<u>(3,009,392)</u>	<u>(401,195)</u>	<u>2,608,197</u>
<i>Fund Balance, Beginning of Year</i>	<u>6,543,199</u>	<u>6,543,199</u>	<u>6,543,199</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>1,852,809</u>	<u>1,852,809</u>	<u>1,852,809</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$4,704,871</u>	<u>\$5,386,616</u>	<u>\$7,994,813</u>	<u>\$2,608,197</u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2014

	Governmental Activities Self- Insurance Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$691,498
 Liabilities	
Claims Payable	580,261
 Net Position	
Unrestricted	\$111,237

See accompanying notes to the basic financial statements

Olmsted Falls City School District
*Statement of Revenues,
 Expenses and Changes in Fund Net Position
 Proprietary Fund
 For the Fiscal Year Ended June 30, 2014*

	Governmental Activities Self- Insurance Fund
Operating Revenues	
Charges for Services	\$4,593,012
Operating Expenses	
Purchased Services	4,481,775
<i>Operating Income</i>	111,237
<i>Net Position Beginning of Year</i>	0
<i>Net Position, End of Year</i>	\$111,237

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental Activities Self- Insurance Fund
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$4,593,012
Cash Payments for Claims and Administrative Services	(3,901,514)
	691,498
<i>Net Cash Provided by Operating Activities</i>	691,498
<i>Cash and Cash Equivalents, Beginning of Year</i>	0
<i>Cash and Cash Equivalents, End of Year</i>	\$691,498
 <i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
<i>Operating Income</i>	\$111,237
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Increase in Liabilities:	
Claims Payable	580,261
<i>Net Cash Provided by Operating Activities</i>	\$691,498

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Fiduciary Net Position
 June 30, 2014

	Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$5,342	\$117,894
Accounts Receivable	0	93
	<u> </u>	<u> </u>
<i>Total Assets</i>	<u><u>\$5,342</u></u>	<u><u>\$117,987</u></u>
 Liabilities		
Accounts Payable	\$0	\$3,531
Due to Students	0	86,951
Undistributed Monies	0	27,505
	<u> </u>	<u> </u>
<i>Total Liabilities</i>	<u><u>\$0</u></u>	<u><u>\$117,987</u></u>
 Net Position		
Held in Trust for Individuals	<u><u>\$5,342</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Changes In Fiduciary Net Position
June 30, 2014

	Private Purpose Trust Fund
Additions:	
Gifts and Contributions	\$4,550
Deductions:	
Scholarships Awarded	4,855
<i>Change In Net Position</i>	(305)
<i>Net Position At Beginning of Year</i>	5,647
<i>Net Position At End of Year</i>	\$5,342

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Olmsted Falls City School District (District) operates under a locally-elected five member Board and provides educational services as mandated by State statute and federal guidelines.

The District includes the City of Olmsted Falls, Olmsted Township, small portions of the Cities of Berea and North Olmsted, and a small portion of Columbia Township. All of the communities served are located in Cuyahoga County with the exception of Columbia Township, which is located in Lorain County. The District is staffed by 228 certificated, 163 non-certificated, and 19 administrative personnel who provide services to 3,812 students and other community members. The District currently operates an early childhood center (Pre K-K), primary school (1-3), an intermediate school (4-5), a middle school (6-8) and a high school (9-12).

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of funds, agencies, departments and offices that are not legally separate from the District. For Olmsted Falls City School District, the agencies and departments provide the following services: general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District participates in three jointly governed organizations, one insurance purchasing pool and one risk sharing pool. These organizations are the North Coast Council, formerly Lake Erie Educational Computer Association (LEECA), the Ohio Schools Council Association, the Polaris Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Note 18, Note 19 and Note 20 of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” of revenues and expenses. These statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

Fund Financial Statements – During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The internal service fund is presented in a single column on the face of the internal service fund statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

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

Governmental Funds Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District’s major governmental funds:

General Fund The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Bond Retirement Debt Service Fund The bond retirement fund is used to account for the accumulation of property tax revenues for, the payment of general obligation bonds.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

B. Fund Accounting (Continued)

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

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The District has an internal service fund and no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District, or to governments, on a cost reimbursement basis. The School District's internal service fund is:

Self-Insurance Fund This fund accounts for monies received from other funds and employees as payment for providing medical hospitalization, dental, and vision insurance benefits. The self-insurance fund may make payments for services provided to employees, reimbursements to employees who have paid providers, to third party administrators for claim payments or administration, for stop-loss coverage, other reinsurance, or other similar purposes.

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

C. Measurement Focus

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

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

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its internal service fund activity.

D. Basis of Accounting

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

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, interest revenue, and grant revenue.

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

E. Budgetary Process

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

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

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Investments are limited to Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. The District only invested in STAR Ohio.

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2014 amounted to \$32,614.

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

G. Restricted Assets

Assets are restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. The District had no restricted assets at fiscal year-end.

H. Inventory

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

I. Capital Assets

All capital assets of the District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	15-40 years
Furniture and Equipment	5-15 years
Vehicles	5-10 years
Textbooks	5-10 years

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

J. Bond Premium and Discount

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are reported in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the bonds payable. On the fund financial statements, bond discounts are expensed in the year the bonds are issued.

Bond issuance costs are expensed when incurred.

K. Gain/Loss on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method.

L. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for employees after nine years of current service with the District.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "accrued wages and benefits payable" in the general fund.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the internal service fund financial statements.

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

N. Net Position

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

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

O. Fund Balance

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

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

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are externally imposed by creditors through debt covenants, grantors, contributors, laws or regulations of other governments, or 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 formal action (resolution) of the District’s Board of Education. Committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

P. Interfund Activity

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the funds. All revenues and expenses not meeting this definition are reported as non-operating.

R. Extraordinary and Special Items

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

S. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

The following funds had a deficit fund balance as of June 30, 2014:

Special Revenue Funds:

IDEA Part B	\$126,171
Title I	94,337
Improving Teacher Quality	6,251

The deficits in the special revenue funds resulted from the recognition of accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$2,467,761
Net Adjustment for Revenue Accruals	(1,220,837)
Net Adjustment for Expenditure Accruals	(308,917)
Adjustment for Encumbrances	<u>(1,339,202)</u>
Budget Basis	<u><u>(\$401,195)</u></u>

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 – FUND BALANCES

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

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable				
Inventory	\$289,132	\$0	\$22,986	\$312,118
Nonexpendable Permanent Fund	0	0	100,000	100,000
Total Nonspendable	289,132	0	122,986	412,118
Restricted				
Debt Services	0	3,104,804	0	3,104,804
Permanent Improvements	0	0	276,940	276,940
Nonexpendable Permanent Fund	0	0	112	112
Food Service Operations	0	0	126,055	126,055
Expendable Trust Fund	0	0	31,093	31,093
Maintenance Fund	0	0	877,591	877,591
Athletics	0	0	126,443	126,443
Total Restricted	0	3,104,804	1,438,234	4,543,038
Committed				
Other Purposes	10,000	0	0	10,000
Assigned				
Other Purposes	1,339,202	0	0	1,339,202
Unassigned				
	7,673,827	0	(217,463)	7,456,364
Total Fund Balances	<u>\$9,312,161</u>	<u>\$3,104,804</u>	<u>\$1,343,757</u>	<u>\$13,760,722</u>

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6 – DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Cash on Hand At year end, the District had \$2,850 in undeposited cash on hand which is included on the balance sheet of the District as part of equity in pooled cash and cash equivalents.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$15,301,712 and the bank balance was \$15,689,437. Of the bank balance:

1. \$759,267 of the bank balance was covered by depository insurance; and
2. \$14,930,170 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution’s name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$14,930,170 of the District’s bank balance of \$15,689,437 was exposed to custodial risk as discussed below, while \$759,267 was covered by FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

Investments As of June 30, 2014, the District had \$242,943 invested in STAROhio.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6 – DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District’s investments in a FHLMC/Huntington Bank account, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the District. Standard and Poor’s has assigned STAROhio and FHLMC/Huntington Bank an AAA rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. As of June 30, 2014, STAROhio represented 100.00 percent of investments.

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above, to cash and investments as reported on the Statement of Net Position as of June 30, 2014:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$15,301,712
Investments	242,943
Cash on hand	2,850
Total	\$15,547,505
 <u>Cash and Investments per Statement of Net Position</u>	
Unrestricted and Restricted Cash	\$15,424,269
Private Purpose Trust Fund and Agency Fund	123,236
Total	\$15,547,505

NOTE 7 - PROPERTY TAXES

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

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 7 - PROPERTY TAXES - (Continued)

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

The District receives property taxes from Cuyahoga County and Lorain County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available for advance at June 30, 2014 was \$3,919,540 in the general fund, \$342,821 in the bond retirement debt service fund, \$225,003 in the permanent improvement fund, and \$36,295 in the classroom facilities maintenance special revenue fund.

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

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

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$485,166,040	97.69%	\$487,338,680	97.49%
Public Utility Personal	<u>11,475,540</u>	<u>2.31%</u>	<u>12,555,260</u>	<u>2.51%</u>
Total	<u><u>\$496,641,580</u></u>	<u><u>100.00%</u></u>	<u><u>\$499,893,940</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation:	\$102.20		\$102.20	

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014 consisted of taxes, accounts (rent, tuition, and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental Activities	
Taxes	\$30,990,572
Accounts	45,025
Intergovernmental	242,960
Accrued interest	5,200
Total governmental activities	<u><u>\$31,283,757</u></u>

NOTE 9 – CAPITAL ASSETS

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

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,834,718	\$0	\$0	\$1,834,718
<i>Capital Assets, being Depreciated</i>				
Buildings and Improvements	49,753,002	1,098,412	0	50,851,414
Furniture and Equipment	10,690,448	561,788	(212,154)	11,040,082
Vehicles	3,388,043	106,436	0	3,494,479
<i>Total Capital Assets, being Depreciated</i>	<u>\$63,831,493</u>	<u>\$1,766,636</u>	<u>(\$212,154)</u>	<u>\$65,385,975</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(17,470,684)	(1,348,654)	0	(18,819,338)
Furniture and Equipment	(8,329,039)	(551,951)	206,758	(8,674,232)
Vehicles	(1,821,546)	(177,998)	0	(1,999,544)
<i>Total Accumulated Depreciation</i>	<u>(27,621,269)</u>	<u>(2,078,603)</u>	<u>206,758</u>	<u>(29,493,114)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>36,210,224</u>	<u>(311,967)</u>	<u>(5,396)</u>	<u>35,892,861</u>
<i>Governmental Activities Capital Assets, Net</i>	<u><u>\$38,044,942</u></u>	<u><u>(\$311,967)</u></u>	<u><u>(\$5,396)</u></u>	<u><u>\$37,727,579</u></u>

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 – CAPITAL ASSETS - (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,470,865
Special	10,885
Other	49,366
Support Services:	
Pupils	8,392
Instructional Staff	2,551
Administration	3,113
Fiscal	2,898
Operation and Maintenance of Plant	69,135
Pupil Transportation	180,880
Central	255,495
Operation of Non-Instructional Services	15,635
Extracurricular	9,388
Total Depreciation Expense	<u><u>\$2,078,603</u></u>

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) for property insurance. The primary deductibles are \$1,000 for property coverage. Professional liability is protected by the SORSA for all Board Members, administrators and employees with a limit of \$11,000,000 per occurrence and \$11,000,000 aggregate limit.

The Hylant Administrative Services Company maintains a \$20,000 public official bond each for the Superintendent and the Board President. A \$20,000 public officials bond for the treasurer is maintained with Harcum-Hyre Insurance. Other employees handling money are covered by a blanket bond in the amount of \$100,000.

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

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

The District provides health, prescription drugs, dental and vision insurance benefits to eligible employees who elect to participate. These benefits are partially self-insured as a result of the District's participation in the Great Lakes Regional Council of Governments. At fiscal year-end, self-insurance was in effect with stop-loss of \$160,000 per person and an aggregate stop-loss of 125% of expected claims for medical and prescription. Excess losses are insured by Medical Mutual of Ohio.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 – RISK MANAGEMENT - (Continued)

The accounting for the self-insurance operation is maintained in the internal service fund. The internal service fund accounts for receipts of premiums from employees and other School District funds. The internal service fund also accounts for payments of claims and administrative fees.

The claims liability of \$580,261, which is reported in the internal service fund as of June 30, 2014, is based on unpaid claims costs, including an estimate for claims which have been incurred but not reported. The change in claims liability, for fiscal year 2014, which is the first year the School District has participated in this self-insurance program, is as follows:

	Beginning of Year	Incurred Claims	Claims Payments	End of Year
2014	\$0	\$4,481,775	\$3,901,514	\$580,261

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System of Ohio

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$837,268, \$751,039 and \$820,311, respectively; 76.75 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 – DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,315,644, \$2,203,957 and \$2,336,920 respectively; 83.55 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

C. Social Security System

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, the surcharge amount was \$99,918.

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

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$108,291, \$106,218 and \$115,621 respectively; 76.75 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$45,452, \$39,698 and \$43,945 respectively; 76.75 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 - POSTEMPLOYMENT BENEFITS- (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$165,403, \$157,425 and \$166,923 respectively; 83.55 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 13 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn up to twenty five days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is one-fourth of accrued, but unused sick leave credit to a maximum payment of 90 days.

B. Retirement Incentive

Certified Employees:

Any teacher who has not been eligible to retire prior to July 1, 2003 under the State Teachers Retirement System (STRS) pursuant to Ohio Revised Code Section 3307.38 and any applicable STRS regulations and who becomes eligible to retire can receive a retirement incentive of \$1,200 for each year of STRS service up to a maximum of thirty years, if the teacher retires at the end of the school year in which the teacher first becomes eligible. If an eligible teacher has not yet completed thirty years of service and does not retire at the end of the school year in which the teacher first becomes eligible, the teacher will have one more opportunity to take advantage of this incentive by retiring at the end of the school year which the teacher completes thirty years of service. This incentive, combined with any severance pay entitlement will be paid in three installments over a period of three years, with any lump sum severance pay to be issued within thirty days of the effective date of the teacher's retirement; 50 percent of the retirement incentive to be payable one year following the teacher's effective retirement date, with the remaining 50 percent to be paid two years after the effective date of retirement. To be eligible for this incentive, the teacher must submit a resignation on for before March 1 of the school year in which the teacher first becomes eligible to retire and must retire no later than June 30 of that school year. The teacher seeking this retirement incentive is responsible for insuring the Board has accurate information regarding the teacher's service credit. The Board will provide a courtesy reminder of the teacher's eligibility for this incentive by December 15 of the school year in which the teacher is first eligible for retirement. This courtesy does not impact the teacher's notice requirements.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 13 – OTHER EMPLOYEE BENEFITS – (continued)

Classified Employees:

Any employee who has not been eligible to retire prior to July 1, 2004 under the School Employees Retirement System (SERS) pursuant to Ohio Revised Code Section 3309.34 and any applicable SERS regulations and who becomes eligible to retire can receive a retirement incentive of 50 percent of the employee's base wage at the time of retirement, excluding overtime, bonuses, extra trips or "extra" compensation if the employee retires at the end of the school year in which the employee first becomes eligible. If the employee has not yet completed 30 years of SERS service and does not retire at the end of the school year in which the employee first becomes eligible, the employee will have one more opportunity to take advantage of this incentive by retiring during or at the end of the school year in which the employee completes 30 years of SERS service. This incentive, combined with any severance pay entitlements, will be paid in three installments, with any lump sum severance pay to be issued within 30 days of proof of retirement and 50 percent of the retirement incentive to be payable the first pay period in July following the next full fiscal year following the date of retirement. The balance of the incentive will be payable the first pay period in July following two full fiscal years after the employee's effective retirement date. To be eligible for this incentive, the employee must submit a resignation 90 days prior to the employee's date of retirement.

C. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is equal to double the employee's annual salary amount rounded to the nearest one thousand dollars. Life insurance is covered through Metropolitan Life Insurance.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 – OPERATING LEASES

The School District is obligated under certain leases that are required to be accounted for as operating leases. During 2014, expenditures for operating leases totaled \$118,974. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014.

<u>Year Ending June 30</u>	
2015	\$122,306
2016	77,556
2017	61,464
Total	\$261,326

NOTE 15 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's long-term notes and bonds are:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Long-term Note:			
Tax Anticipation Note - 2013	1.50%	700,000	August 1, 2016
General Obligation Bonds:			
Classroom Facilities Refunding - 2003	2.0-14.065%	5,789,978	December 15, 2017
School Improvement - 2007	4.0-11.793%	14,755,972	December 1, 2035
Energy Conservation Improvement - 2012	1.75%	700,000	December 1, 2017

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 15 - LONG-TERM OBLIGATIONS – (continued)

A. The following is a schedule of the changes in long-term obligations during fiscal year 2014:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due in</u> <u>One Year</u>
Governmental Activities:					
Long-term Note:					
2013 Tax Anticipation Note	\$700,000	\$0	(\$195,000)	\$505,000	\$200,000
<i>Total long term notes</i>	<u>\$700,000</u>	<u>\$0</u>	<u>(\$195,000)</u>	<u>\$505,000</u>	<u>\$200,000</u>
General Obligation Bonds:					
2003 Classroom Facilities Refunding					
Serial Bonds	\$3,660,000	\$0	\$0	\$3,660,000	\$860,000
Capital Appreciation Bonds	209,723	0	(209,723)	0	0
Accretion on Capital Appreciation Bonds	593,718	51,559	(645,277)	0	0
Premium	175,536	0	(35,107)	140,429	0
Deferred Loss on Refunding	(140,041)	0	28,008	(112,033)	0
2007 School Improvement Bonds					
Serial Bonds	12,255,000	0	(390,000)	11,865,000	177,143
Capital Appreciation Bonds	475,972	0	0	475,972	0
Accretion on Capital Appreciation Bonds	444,827	111,792	0	556,619	0
Premium	332,351	0	(14,771)	317,580	0
Discount	(133,568)	0	5,936	(127,632)	0
2012 Energy Conservation Improvement Bond	700,000	0	(134,000)	566,000	138,000
<i>Total General Obligation Bonds</i>	<u>\$18,573,518</u>	<u>\$163,351</u>	<u>(\$1,394,934)</u>	<u>\$17,341,935</u>	<u>\$1,175,143</u>
Retirement Incentive	208,491	126,864	(190,491)	144,864	0
Compensated absences	3,112,219	443,512	(612,272)	2,943,459	176,607
Total governmental activities long-term liabilities	<u>\$22,594,228</u>	<u>\$733,727</u>	<u>(\$2,392,697)</u>	<u>\$20,935,258</u>	<u>\$1,551,750</u>

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 15 - LONG-TERM OBLIGATIONS – (continued)

All long-term notes and general obligation bonds will be paid from property taxes. Compensated absences will be paid from the general fund.

On August 13, 2003, the District issued \$5,709,978 in voted general obligation bonds which included \$5,260,000 in serial bonds and \$449,978 in capital appreciation bonds at interest rates varying from 2% to 14.065%. The general obligation bonds were issued for the purpose of refunding a portion of the 1995 classroom facilities improvement bonds to take advantage of lower interest rates. The bonds were issued at a premium of \$351,071. The serial bonds were issued for a 15 year period with a final maturity at December 15, 2017. The capital appreciation bonds were issued for a 12 year period with a final maturity at December 15, 2014. For fiscal year 2014, \$51,559 was accreted. The bonds are being retired from the bond retirement fund.

The serial bonds maturing after December 15, 2017 are subject to redemption at the option of the District, either in whole or part, in such order as the District shall determine, on any interest payment date on or after December 15, 2017, at redemption prices equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

On September 13, 2007, the District issued \$14,280,000 in general obligation bonds for the purpose of adding to, constructing, furnishing, equipping and otherwise improving District buildings and facilities. Some of the bonds were sold at a premium of \$406,206 and some of the bonds were sold at a discount of \$163,249. The bonds have varying interest rates between 4% to 5%, and a final maturity date of December 1, 2035. Voters passed the 2 mill bond issue in May 2007 to fund payment of these bonds.

The 2007 general obligation bonds include \$475,972 in capital appreciation bonds. The capital appreciation bonds were issued for a 10 year period with a final maturity at December 1, 2016. For the fiscal year 2014, \$111,792 was accreted. The bonds are being retired from the bond retirement fund.

The District's overall legal debt margin was \$31,182,310 with an unvoted debt margin of \$1,910,616 at June 30, 2014. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$998,000	\$704,657	\$1,702,657	\$177,146	\$227,857	\$405,003
2016	1,040,000	667,455	1,707,455	157,966	247,034	405,000
2017	1,073,000	627,905	1,700,905	140,860	264,137	404,997
2018	1,520,000	577,080	2,097,080	0	0	-
2019	425,000	537,540	962,540	0	0	0
2020 - 2024	2,410,000	2,381,988	4,791,988	0	0	0
2025 - 2029	3,015,000	1,755,200	4,770,200	0	0	0
2030 - 2034	3,805,000	941,294	4,746,294	0	0	0
2035 - 2036	1,805,000	91,375	1,896,375	0	0	0
Total	\$16,091,000	\$8,284,494	\$24,375,494	\$475,972	\$739,028	\$1,215,000

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 16 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of June 30, 2014, the District had the following contractual purchase commitments outstanding:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Blaze Building Corporation	\$6,951,684	\$6,887,745	\$63,939
Regency Construction Services	<u>1,382,580</u>	<u>1,334,340</u>	<u>48,240</u>
Total	<u><u>\$8,334,264</u></u>	<u><u>\$8,222,085</u></u>	<u><u>\$112,179</u></u>

NOTE 17 - SET ASIDES

The District is required by state statute to annually set-aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be 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 reserves. Disclosure of this information is required by State statute.

	<u>Capital Improvement Reserve</u>
Set-aside balance as of June 30, 2013	\$0
Current year set-aside requirement	632,811
Qualifying Disbursements	<u>1,635,127</u>
Total	<u><u>(1,002,316)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Set-aside Reserve Balance as of June 30, 2014	<u><u>\$0</u></u>

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS

North Coast Council

The North Coast Council (NCC), formerly Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty-two School Districts and the Educational Service Centers of Cuyahoga County and Lorain County. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the school districts support NCC based upon a per pupil charge dependent upon the software package utilized. NCC is governed by a Board of Directors chosen from the general membership of the NCC Assembly. Each year the Board of Directors elects a Chairman, a Vice Chairman, and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Board of Education serves as fiscal agent of NCC. The Olmsted Falls City School District paid \$87,637.00 to NCC/LEECA for fiscal year 2014. Financial information can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, who serves as the fiscal agent, at 5700 West Canal Road, Valleyview, Ohio 44125.

Ohio Schools Council Association

The Ohio Schools Council Association (the “Council”) is a jointly governed organization comprised of one hundred and twenty-one member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council’s Board consists of seven superintendents of the participating districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2014, the District paid \$2,554.00 to the Council for membership and other services. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Polaris Career Center

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of students. The Board of Education is comprised of representatives from the boards of each participating school district. The board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Olmsted Falls City School District students may attend the Polaris Career Center. Each participating school district’s control is limited to its representation on the board. The School District did not contribute financially to Polaris Career Center during this fiscal year. Financial information can be obtained by contacting the Treasurer at Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130.

NOTE 19 – INSURANCE PURCHASING POOL

The District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefits of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker’s compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its worker’s compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings is then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 20 – RISK SHARING POOL

The District participated in the Schools Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 65 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

SORSA has agreements with several separate organizations whereby each provides certain administrative, executive, accounting, marketing, claim settlement, legal counsel and other services to SORSA and its members. Pursuant to participation agreements with SORSA, each member school district agrees to pay all funding rates associated with the coverage elected. This coverage includes comprehensive general liability, property insurance and automobile liability insurance. To obtain a copy of the SORSA financial statements, write SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

NOTE 21 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education and any issues pending will be reported separately to the Ohio Department of Education at a later date. The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. This also encompasses the Auditor of State's ongoing review of student attendance data. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 22 - INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$584,996</u>

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

The interfund receivable in the General fund represents the balance of interfund loans made to the Permanent Improvement Fund, Special Education Part B-IDEA, Title I, and Improving Teacher Quality Title II-A funds (nonmajor governmental funds). The interfund loan balance represents the fiscal year-end balance of interfund loans.

Interfund loans between governmental funds are eliminated on the government-wide financial statements.

B. During the year ended June 30, 2014, the General Fund transferred \$700,000 to the Athletics Fund, which is a component of the Non-major Other Governmental Funds, to subsidize Athletics Fund operations.

This page intentionally left blank.

OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program		10.553	\$ 45,573	\$ -	\$ 45,573	\$ -
National School Lunch Program		10.555	239,528	71,854	239,528	71,854
Total - Nutrition Cluster			285,101	71,854	285,101	71,854
Total U.S. Department of Agriculture			285,101	71,854	285,101	71,854
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies Cluster						
Title I Grants to Local Educational Agencies	2013	84.010	69,036	0	45,176	0
Title I Grants to Local Educational Agencies	2014	84.010	217,099	0	267,376	0
Total Title I Grants to Local Educational Agencies			286,135	0	312,552	0
Special Education Cluster:						
Special Education Grants to States	2013	84.027	65,641	0	13,194	0
Special Education Grants to States	2014	84.027	541,798	0	651,337	0
Special Education Preschool Grants to States	2013	84.173	20,682	0	20,682	0
Total Special Education Cluster			628,121	0	685,213	0
Total State Grants for Innovative Programs						
Title IIA Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	2013	84.367	12,317	0	5,656	0
Improving Teacher Quality State Grants	2014	84.367	25,045	0	31,020	0
Total Improving Teacher Quality State Grants			37,362	0	36,676	0
Total U.S. Department of Education			951,618	0	1,034,441	0
Total Federal Financial Assistance			\$1,236,719	\$71,854	\$1,319,542	\$71,854

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this schedule.

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Olmsted Falls City School District (the District) 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 entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Olmsted Falls City School District
Cuyahoga County
26937 Bagley Road
Olmsted Falls, Ohio 44138

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

6927 Burgundy Ave. N.W.
North Canton, OH 44720
Phone (330) 353-5851
Fax (330) 768-7574

Opinion on Each Major Federal Program

In our opinion, the Olmsted Falls City 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.

Alger & Associates, Inc.

Alger & Associates, Inc.
Certified Public Accountants
North Canton, OH
December 11, 2014



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Olmsted Falls City School District
Cuyahoga County
26937 Bagley Road
Olmsted Falls, Ohio 44138

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 Olmsted Falls City School District, Cuyahoga County, (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 December 11, 2014.

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

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

6927 Burgundy Ave. N.W.
North Canton, OH 44720
Phone (330) 353-5851
Fax (330) 768-7574

Olmsted Falls City School District
Cuyahoga County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By Government *Auditing Standards*
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

Alger & Associates, Inc.

Alger & Associates, Inc.
Certified Public Accountants
North Canton, OH
December 11, 2014

OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA 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 other 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)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other 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?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title-I CFDA 84.010; Special Educational Cluster CFDA 84.027 and 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL COMPLIANCE

None

This page intentionally left blank.



Dave Yost • Auditor of State

OLMSTED FALLS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 9, 2015**