



Rea & associates *a brighter way*

# Orrville City School District Wayne County, Ohio

## *Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2014





# Dave Yost • Auditor of State

Board of Education  
Orrville City School District  
815 North Ella Street  
Orrville, Ohio 44667

We have reviewed the *Independent Auditor's Report* of the Orrville City School District, Wayne County, prepared by Rea & 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 Orrville 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

February 24, 2015

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**ORRVILLE CITY SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
*Table of Contents*

	<i>Page</i>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Modified Cash Basis .....	13
Statement of Activities – Modified Cash Basis .....	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Modified Cash Basis – Governmental Funds .....	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis - Governmental Funds .....	16
Statement of Receipts, Disbursements and Changes in Modified Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund .....	17
Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds .....	18
Notes to the Basic Financial Statements .....	19
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards .....	45
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 .....	47
Schedule of Expenditures of Federal Awards – Cash Basis .....	49
Notes to the Schedule of Expenditures of Federal Awards – Cash Basis .....	50
Schedule of Findings.....	51
Schedule of Prior Audit Findings.....	53

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December 23, 2014

To the Board of Education  
Orrville City School District  
Wayne County, Ohio  
815 North Ella Street  
Orrville, Ohio 44667

## INDEPENDENT AUDITOR'S REPORT

### *Report on the Financial Statements*

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

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orrville City School District, Wayne County, Ohio, as of June 30, 2014, and the respective changes in modified cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Emphasis of Matter***

As described in Note 20 to the financial statements, during 2014, the School District restated the June 30, 2013 Permanent Improvement and Classroom Facilities fund balances. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental and Other Information***

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

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

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**Orrville City School District**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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

***Financial Highlights***

Key financial highlights for fiscal year 2014 are as follows:

- Net position decreased \$1,305,392, mostly due to a decrease in capital grants and contribution receipts as a result of the completion of the Ohio Facilities Construction Commission ("OFCC") high school building project.
- Outstanding debt decreased from \$28,520,180 to \$27,824,445 through principal payments made during the current year.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2014, the general fund, the permanent improvement fund, and the classroom facilities funds are the School District's most significant funds.

***Basis of Accounting***

The School District has elected to present its financial statements on the modified cash basis of accounting. This modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and investments and changes in cash and investments resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and investments. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Orrville City School District**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question.

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

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund, the permanent improvement fund, and the classroom facilities fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

***Reporting the School District's Fiduciary Responsibilities***

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

**Orrville City School District**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to 2013.

**(Table 1)**  
**Net Position – Modified Cash Basis**

	Governmental Activities	
	2014	2013
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 5,819,703	\$ 6,107,082
Investments Held with Trustee	0	1,018,013
<i>Total Assets</i>	<u>5,819,703</u>	<u>7,125,095</u>
<b>Net Position</b>		
Restricted for:		
Capital Outlay	1,306,187	4,389,443
Debt Service	424,871	441,159
Other Purposes	1,002,957	932,983
Unrestricted	<u>3,085,688</u>	<u>1,361,510</u>
<i>Total Net Position</i>	<u>\$ 5,819,703</u>	<u>\$ 7,125,095</u>

Net position of the governmental activities decreased \$1,305,392, which represents an 18.32 percent decrease from fiscal year 2013. The decrease is the result of decreased capital grants and contributions due to the completion of the new high school building project.

A portion of the School District's net position, \$2,734,015 or 46.98 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$3,085,688 may be used to meet the School District's ongoing obligations.

In 2008, the School District received note proceeds that were placed with a trustee for a construction project. This project was completed during fiscal year 2013, causing the decrease in "Investments Held with Trustee" in fiscal year 2014.

**Orrville City School District**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

Table 2 shows the changes in net position for fiscal year 2014 as compared to fiscal year 2013.

**(Table 2)**  
**Changes in Net Position - Modified Cash Basis**

	Governmental Activities	
	2014	2013
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services and Sales	\$ 994,230	\$ 902,161
Operating Grants, Contributions and Interest	1,392,744	1,580,526
Capital Grants, Contributions and Interest	2,723	6,943,216
<i>Total Program Receipts</i>	<u>2,389,697</u>	<u>9,425,903</u>
<b>General Receipts</b>		
Property Taxes	9,470,459	8,598,431
Grants and Entitlements not Restricted to Specific Programs	8,521,358	7,564,336
Payments in Lieu of Taxes	4,348	9,104
Proceeds from Sale of Assets	19,586	0
Interest	281	352
Miscellaneous	126,455	59,399
<i>Total General Receipts</i>	<u>18,142,487</u>	<u>16,231,622</u>
<i>Total Receipts</i>	<u>20,532,184</u>	<u>25,657,525</u>
<b>Program Disbursements</b>		
Instruction:		
Regular	8,013,519	8,330,578
Special	2,054,572	1,906,265
Vocational	253,399	238,496
Student Intervention Services	18,478	9,782
Other	241,955	289,661
Support Services:		
Pupils	690,291	762,615
Instructional Staff	531,647	578,098
Board of Education	83,592	86,253
Administration	1,159,563	1,264,122
Fiscal	361,109	442,037
Business	53,677	42,593
Operation and Maintenance of Plant	1,379,837	1,220,947
Pupil Transportation	556,033	525,359
Operation of Non-Instructional Services:		
Food Service Operations	689,861	777,034
Extracurricular Activities	451,304	466,041
Capital Outlay	3,443,831	13,561,345
Debt Service:		
Principal Retirement	903,322	811,000
Interest and Fiscal Charges	951,586	985,096
<i>Total Program Disbursements</i>	<u>21,837,576</u>	<u>32,297,323</u>
<i>Change in Net Position</i>	<u>(1,305,392)</u>	<u>(6,639,798)</u>
<i>Net Position Beginning of Year</i>	<u>7,125,095</u>	<u>13,764,893</u>
<i>Net Position End of Year</i>	<u>\$ 5,819,703</u>	<u>\$ 7,125,095</u>

**Orrville City School District**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

Property taxes increased due to the timing of a property tax advance received at the end of fiscal year 2012, causing a decrease in property taxes for fiscal year 2013. The increase in grants and entitlements not restricted to specific programs can be mostly attributed to an increase in state foundation receipts during fiscal year 2014. The decrease in capital outlay is due to the completion of the new high school building project.

**Governmental Activities**

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

**(Table 3)**  
**Governmental Activities – Modified Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2014	2013	2014	2013
<b><i>Program Disbursements</i></b>				
Instruction:				
Regular	\$ 8,013,519	\$ 8,330,578	\$ 7,507,336	\$ 7,709,588
Special	2,054,572	1,906,265	1,453,649	1,267,158
Vocational	253,399	238,496	240,163	238,496
Student Intervention Services	18,478	9,782	18,478	9,782
Other	241,955	289,661	241,955	289,661
Support Services:				
Pupils	690,291	762,615	527,992	585,616
Instructional Staff	531,647	578,098	509,970	572,698
Board of Education	83,592	86,253	83,592	86,253
Administration	1,159,563	1,264,122	1,036,638	1,157,885
Fiscal	361,109	442,037	361,109	442,037
Business	53,677	42,593	53,677	42,593
Operation and Maintenance of Plant	1,379,837	1,220,947	1,379,837	1,211,113
Pupil Transportation	556,033	525,359	554,010	525,359
Operation of Non-Instructional Services:				
Food Service Operations	689,861	777,034	(44,968)	45,414
Extracurricular Activities	451,304	466,041	228,425	273,541
Capital Outlay	3,443,831	13,561,345	3,441,108	6,618,129
Debt Service:				
Principal Retirement	903,322	811,000	903,322	811,000
Interest and Fiscal Charges	951,586	985,096	951,586	985,096
<b><i>Total</i></b>	<b><u>\$ 21,837,576</u></b>	<b><u>\$ 32,297,323</u></b>	<b><u>\$ 19,447,879</u></b>	<b><u>\$ 22,871,420</u></b>

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 10.94 percent of all governmental expenses. The community is the largest area of support for the School District students.

**Orrville City School District**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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***The School District's Funds***

The School District's governmental funds are accounted for using the modified cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$5,819,703, which is lower than the prior year balance of \$7,125,095.

The general fund had total cash receipts of \$16,298,169. The cash disbursements of the general fund totaled \$14,583,834. The general fund's fund balance increased \$1,714,335 in fiscal year 2014. The increase in fund balance is mostly due to an increase in property taxes as well as intergovernmental from increased state foundation receipts.

The permanent improvement fund had total cash receipts of \$800,202 and total cash disbursements of \$1,416,013, for a decrease in fund balance of \$527,868 in fiscal year 2014. The decrease in fund balance is primarily due to an increase in capital outlay due to renovations of the old high school building that will be used for the administrative offices.

The classroom facilities fund had total cash receipts of \$169,929 and total cash disbursements of \$2,405,847, for a decrease in fund balance of \$2,304,275 in fiscal year 2014. This decrease is due to the timing of receipts versus project costs.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2014, the School District amended its general fund budget several times. For the general fund, final budget basis receipts were \$15,661,686, representing an increase of \$2,269,871 from the original estimate of \$13,391,815. Actual receipts of \$16,107,951 were \$446,265 higher than the final budget. Of this increase, most was attributable to an underestimation of property and other local taxes and intergovernmental receipts.

For fiscal year 2014, the general fund final budget basis disbursements were \$15,288,124, which is over the original budgeted disbursements of \$14,585,492. Actual disbursements of \$15,135,411 were \$152,713 lower than the final budget. Of this decrease, most was attributable to an overestimation of regular instruction disbursements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2014 and 2013.

**(Table 4)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2014	2013
2008 School Facilities Construction and Improvement Notes	\$ 874,000	\$ 896,000
2007 School Facilities Construction and Improvement Refunding Bonds Serial, Term and Capital Appreciation Bonds	15,576,801	15,992,180
Lease - Purchase Agreements	11,373,644	11,632,000
<i>Total</i>	<u>\$ 27,824,445</u>	<u>\$ 28,520,180</u>

For further information regarding the School District's debt, refer to Notes 8 and 9 of the basic financial statements.

***Current Issues***

The Orrville City School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The most recent operating levy passed by the residents of the district was a five year emergency levy approved in May 2010. This last collection year for this levy is 2015 and it is important for the School District's financial stability that the levy be renewed. Prior to that the last new levy was an emergency levy passed in February 2003. The February 2003 levy was renewed by the voters for five more years in November 2008 and renewed again in August 2013 for a ten-year period.

The School District's facility work has come to a close after approximately ten years of construction. The residents approved the renewal of a permanent improvement levy for a continuing period of time at the May 2005 election to fund the construction of a middle school. A \$16 million bond issue was approved by voters at the May 2007 election. The new elementary school opened in May 2010 and a new high school opened in May 2013 using the State share of OFCC construction funding.

The School District has also been affected by changes in the personal property tax structure (utility deregulation) commercial business/property uncertainties and the elimination of tangible personal property taxes. Management has diligently planned expenses so that the last levy has stretched for more than the five years it was planned. Management has reduced staff through attrition over the past three years. In December 2012, the School District approved the layoff of 20 teaching, administrative and non-teaching staff effective June 30, 2013. Some of those positions have been reinstated.

The Orrville City School District has experienced some growth in State revenue in the current State budget that end June of 2015. The formula still included a guarantee so districts would not lose money and a 6.5 percent cap to limit the increase. The School District's growth was limited by the cap. This growth combined with the reductions made in December 2012, have worked to improve the financial outlook of the School District. The new State budget for fiscal year 2016 and fiscal year 2017 will be important to continued fiscal stability.

**Orrville City School District**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mark Dickerhoof, Treasurer of Orrville City Schools, 815 North Ella Street, Orrville, Ohio 44667, e-mail [roc\\_mardick@tccsa.net](mailto:roc_mardick@tccsa.net).

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Net Position - Modified Cash Basis*  
*June 30, 2014*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 5,819,703
<i>Total Assets</i>	<i>\$ 5,819,703</i>
<b>Net Position</b>	
Restricted for:	
Capital Outlay	\$ 1,306,187
Debt Service	424,871
Other Purposes	1,002,957
Unrestricted	3,085,688
<i>Total Net Position</i>	<i>\$ 5,819,703</i>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Fiscal Year Ended June 30, 2014*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 8,013,519	\$ 450,149	\$ 56,034	\$ 0	\$ (7,507,336)
Special	2,054,572	0	600,923	0	(1,453,649)
Vocational	253,399	0	13,236	0	(240,163)
Student Intervention Services	18,478	0	0	0	(18,478)
Other	241,955	0	0	0	(241,955)
Support Services:					
Pupils	690,291	0	162,299	0	(527,992)
Instructional Staff	531,647	0	21,677	0	(509,970)
Board of Education	83,592	0	0	0	(83,592)
Administration	1,159,563	81,278	41,647	0	(1,036,638)
Fiscal	361,109	0	0	0	(361,109)
Business	53,677	0	0	0	(53,677)
Operation and Maintenance of Plant	1,379,837	0	0	0	(1,379,837)
Pupil Transportation	556,033	0	2,023	0	(554,010)
Operation of Non-Instructional Services:					
Food Service Operations	689,861	239,951	494,878	0	44,968
Extracurricular Activities	451,304	222,852	27	0	(228,425)
Capital Outlay	3,443,831	0	0	2,723	(3,441,108)
Debt Service:					
Principal Retirement	903,322	0	0	0	(903,322)
Interest and Fiscal Charges	951,586	0	0	0	(951,586)
<b>Totals</b>	<b>\$ 21,837,576</b>	<b>\$ 994,230</b>	<b>\$ 1,392,744</b>	<b>\$ 2,723</b>	<b>(19,447,879)</b>

**General Receipts**

Property Taxes Levied for:	
General Purposes	7,618,752
Debt Service	1,124,450
Capital Outlay	613,532
Building Maintenance	113,725
Grants and Entitlements not Restricted to Specific Programs	8,521,358
Payments in Lieu of Taxes	4,348
Proceeds from Sale of Assets	19,586
Interest	281
Miscellaneous	126,455
<b>Total General Receipts</b>	<b>18,142,487</b>
<b>Change in Net Position</b>	<b>(1,305,392)</b>
<b>Net Position Beginning of Year</b>	<b>7,125,095</b>
<b>Net Position End of Year</b>	<b>\$ 5,819,703</b>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Assets and Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*June 30, 2014*

	General Fund	Permanent Improvement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 3,114,849	\$ 1,284,060	\$ 22,127	\$ 1,398,667	\$ 5,819,703
<i>Total Assets</i>	<u>\$ 3,114,849</u>	<u>\$ 1,284,060</u>	<u>\$ 22,127</u>	<u>\$ 1,398,667</u>	<u>\$ 5,819,703</u>
<b>Fund Balances</b>					
Nonspendable	\$ 29,161	\$ 0	\$ 0	\$ 0	\$ 29,161
Restricted	0	1,284,060	22,127	1,444,474	2,750,661
Assigned	680,039	0	0	0	680,039
Unassigned	2,405,649	0	0	(45,807)	2,359,842
<i>Total Fund Balances</i>	<u>\$ 3,114,849</u>	<u>\$ 1,284,060</u>	<u>\$ 22,127</u>	<u>\$ 1,398,667</u>	<u>\$ 5,819,703</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Fund Balances - Modified Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General Fund	Permanent Improvement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 7,618,752	\$ 613,532	\$ 0	\$ 1,238,175	\$ 9,470,459
Intergovernmental	8,018,946	161,705	169,700	1,554,189	9,904,540
Interest Income	51	0	229	208	488
Tuition and Fees	422,782	0	0	0	422,782
Extracurricular Activities	105,094	0	0	195,263	300,357
Gifts and Donations	5,600	2,565	0	3,914	12,079
Charges for Services	23,367	0	0	239,952	263,319
Payments in Lieu of Taxes	4,348	0	0	0	4,348
Rent	4,000	0	0	3,775	7,775
Miscellaneous	95,229	22,400	0	8,822	126,451
<i>Total Receipts</i>	<u>16,298,169</u>	<u>800,202</u>	<u>169,929</u>	<u>3,244,298</u>	<u>20,512,598</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	7,962,882	1,000	0	49,637	8,013,519
Special	1,422,343	0	0	632,229	2,054,572
Vocational	253,399	0	0	0	253,399
Student Intervention Services	18,478	0	0	0	18,478
Other	241,455	0	0	500	241,955
Support Services:					
Pupils	516,079	0	0	174,212	690,291
Instructional Staff	406,752	102,231	0	22,664	531,647
Board of Education	83,592	0	0	0	83,592
Administration	1,111,436	2,360	0	45,767	1,159,563
Fiscal	342,677	7,266	0	11,166	361,109
Business	53,677	0	0	0	53,677
Operation and Maintenance of Plant	1,323,251	3,238	0	53,348	1,379,837
Pupil Transportation	553,935	0	0	2,098	556,033
Extracurricular Activities	250,556	0	0	200,748	451,304
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	689,861	689,861
Capital Outlay	0	786,713	2,405,847	251,271	3,443,831
Debt Service:					
Principal Retirement	43,322	383,000	0	477,000	903,322
Interest and Fiscal Charges	0	130,205	0	821,381	951,586
<i>Total Disbursements</i>	<u>14,583,834</u>	<u>1,416,013</u>	<u>2,405,847</u>	<u>3,431,882</u>	<u>21,837,576</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,714,335</u>	<u>(615,811)</u>	<u>(2,235,918)</u>	<u>(187,584)</u>	<u>(1,324,978)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Capital Assets	0	19,586	0	0	19,586
Transfers In	0	68,357	0	0	68,357
Transfers Out	0	0	(68,357)	0	(68,357)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>87,943</u>	<u>(68,357)</u>	<u>0</u>	<u>19,586</u>
<i>Net Change in Fund Balances</i>	1,714,335	(527,868)	(2,304,275)	(187,584)	(1,305,392)
<i>Fund Balances Beginning of Year - Restated (See Note 20)</i>	1,400,514	1,811,928	2,326,402	1,586,251	7,125,095
<i>Fund Balances End of Year</i>	<u>\$ 3,114,849</u>	<u>\$ 1,284,060</u>	<u>\$ 22,127</u>	<u>\$ 1,398,667</u>	<u>\$ 5,819,703</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Modified Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 6,334,072	\$ 7,407,677	\$ 7,618,752	\$ 211,075
Intergovernmental	6,666,785	7,796,784	8,018,946	222,162
Interest	42	50	51	1
Tuition and Fees	351,338	410,889	422,597	11,708
Extracurricular Activities	19,800	23,156	23,816	660
Gifts and Donations	831	972	1,000	28
Payments in Lieu of Taxes	3,615	4,228	4,348	120
Rent	3,326	3,889	4,000	111
Miscellaneous	12,006	14,041	14,441	400
<i>Total Receipts</i>	<u>13,391,815</u>	<u>15,661,686</u>	<u>16,107,951</u>	<u>446,265</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	7,701,221	8,072,215	7,991,581	80,634
Special	1,425,776	1,494,460	1,479,532	14,928
Vocational	244,192	255,956	253,399	2,557
Student Intervention Services	17,807	18,664	18,478	186
Other	396,835	415,952	411,797	4,155
Support Services:				
Pupils	501,694	525,862	520,609	5,253
Instructional Staff	505,089	529,420	524,132	5,288
Board of Education	89,111	93,404	92,471	933
Administration	996,522	1,044,528	1,034,094	10,434
Fiscal	333,276	349,331	345,842	3,489
Business	51,727	54,219	53,677	542
Operation and Maintenance of Plant	1,435,234	1,504,374	1,489,347	15,027
Pupil Transportation	645,556	676,655	669,896	6,759
Extracurricular Activities	241,452	253,084	250,556	2,528
<i>Total Disbursements</i>	<u>14,585,492</u>	<u>15,288,124</u>	<u>15,135,411</u>	<u>152,713</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,193,677)</u>	<u>373,562</u>	<u>972,540</u>	<u>598,978</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	63,784	74,595	76,721	2,126
<i>Net Change in Fund Balance</i>	(1,129,893)	448,157	1,049,261	601,104
<i>Fund Balance Beginning of Year</i>	1,094,335	1,094,335	1,094,335	0
Prior Year Encumbrances Appropriated	238,124	238,124	238,124	0
<i>Fund Balance End of Year</i>	<u>\$ 202,566</u>	<u>\$ 1,780,616</u>	<u>\$ 2,381,720</u>	<u>\$ 601,104</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Statement of Fiduciary Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*June 30, 2014*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	<u>\$ 31,663</u>
<i>Total Assets</i>	<u><u>\$ 31,663</u></u>
<b>Net Position</b>	
Held for Student Activities	<u>\$ 31,663</u>
<i>Total Net Position</i>	<u><u>\$ 31,663</u></u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Orrville City School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations’ governing board and 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is involved with Tri-County Computer Service Association (TCCSA) and the Wayne County Career Center, which are defined as jointly governed organizations; the Orrville Public Library, which is defined as a related organization; and the Stark County Schools Council of Governments Health Benefit Plan, which is a public entity risk pool. Additional information concerning these organizations is presented in Notes 11, 12 and 13.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.A., these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the School District’s accounting policies.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**A. Basis of Accounting**

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The School District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

The School District also reports investments as assets, valued at cost basis.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary disbursements result from encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**2. Fund Financial Statements**

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

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**C. Fund Accounting**

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

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

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

***Permanent Improvement Fund*** - The permanent improvement capital projects fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

***Classroom Facilities Fund*** – The Classroom Facilities capital projects fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed internally or externally.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**2. Fiduciary Funds**

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

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object and function level within all funds are made by the Treasurer.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted or assigned fund balance (cash basis).

**Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipt are identified by the School District's Treasurer.

**Appropriations**

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the fund level of disbursements, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted.

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as a restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

**Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

During fiscal year 2014, investments were limited to STAROhio, a certificate of deposit and a money market account. STAROhio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price for which the investment could be sold on June 30, 2014.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 were \$51, which includes \$24 interest assigned from other School District funds.

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as “equity in pooled cash and investments.” Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as “investments.”

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

**G. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**H. Long-term Debt**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported as other financing sources when cash is received and principal and interest payments are reported as disbursements when paid.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**I. Intergovernmental Receipts**

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant is received.

**J. Inventory and Prepaid Items**

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Equity Classifications**

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position and is displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2014, there was no net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

FUND FINANCIAL STATEMENTS

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

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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- a. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. 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.
- d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.
- e. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**M. Interfund Activity**

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

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources to be expended are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements/expenses in the reimbursing fund and a reduction in disbursements/expense in the reimbursed fund.

**N. Receipts and Disbursements**

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

**O. Extraordinary and Special Items**

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

**P. Implementation of New Accounting Policies**

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

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

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above; provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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6. The State Treasurer's investment pool (STAROhio and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of 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.

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured by Federal Deposit Insurance Corporation or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all uninsured public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year end, the carrying amount of the School District's deposits was \$4,901,865 and the bank balance was \$5,011,920. Of the School District's bank balance, \$565,362 was covered by federal depository insurance, leaving \$4,446,558 exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent not in the School District's name.

As of June 30, 2014, the School District has \$300 in undeposited cash on hand. This amount is included in equity in pooled cash and investments.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**Investments**

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturities</u> <u>Less than</u> <u>1 Year</u>	<u>Percentage</u>
STAROhio	\$ 949,201	\$ 949,201	100%

*Interest Rate Risk*

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Credit Risk*

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

*Concentration of Credit Risk*

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. One hundred percent of the School District's investments are in STAROhio.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**NOTE 4 - PROPERTY TAXES**

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

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

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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

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

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 232,315,400	99%	\$ 231,886,470	99%
Public Utility Personal Property	1,758,730	1%	1,788,320	1%
Total	<u>\$ 234,074,130</u>	<u>100%</u>	<u>\$ 233,674,790</u>	<u>100%</u>
Full Tax Rate per \$1,000 of assessed valuation	<u>\$ 63.90</u>		<u>\$ 63.85</u>	

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 5 - RISK MANAGEMENT**

**A. General Insurance**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy. The deductible is \$1,000 per incident on property and \$1,000 per incident on equipment. All vehicles are also insured with a \$1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are \$5,000,000 per occurrence and \$7,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

**B. Fidelity Bond**

The Treasurer is covered under a surety bond in the amount of \$30,000. The Board President and Superintendent each have \$20,000 position bonds.

**C. Workers' Compensation**

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

**D. Employee Health Insurance**

Effective December 1, 2007, the School District has contracted with Stark County Schools Council of Governments (the "Council") to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the School District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one, and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2014, the School District's monthly premiums were \$1,495.28 for family medical coverage and \$615.59 for single medical coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council for Governments. For fiscal year 2014, the School District's cost was \$192.82 for family dental coverage and \$78.21 for single dental coverage per employee per month.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$309,459, \$341,642 and \$334,712, respectively; 98 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

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

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$864,233, \$923,281 and \$916,992, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$32,490 made by the School District and \$25,528 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, none of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 7 - POST EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$39,060, \$38,223, and \$48,436, respectively; 98 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$17,953, \$19,299, and \$19,766, respectively; 98 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$66,479, \$71,022, and \$70,538, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 8 - DEBT OBLIGATIONS**

The following is a description of the School District's outstanding debt obligations as of June 30, 2014:

	Interest Rate	Principal Outstanding 06/30/13	Additions	Deductions	Principal Outstanding 06/30/14	Due Within One Year
2008 School Facilities Construction and Improvement Notes	4.519%	\$ 896,000	\$ 0	\$ 22,000	\$ 874,000	\$ 23,000
2007 School Facilities Construction and Improvement Refunding Bonds						
Serial and Term Bonds	4.25-5.25%	15,680,000	0	455,000	15,225,000	485,000
Capital Appreciation Bonds	2.0 - 26.4%	160,000	0	0	160,000	0
Accretion		152,180	39,621	0	191,801	0
2006 Lease-Purchase Agreement		11,632,000	0	383,000	11,249,000	397,000
2014 Lease-Purchase Agreement		0	167,966	43,322	124,644	40,680
<b>Total General Debt Obligations</b>		<b>\$ 28,520,180</b>	<b>\$ 207,587</b>	<b>\$ 903,322</b>	<b>\$ 27,824,445</b>	<b>\$ 945,680</b>

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

***2007 School Facilities Construction and Improvement and Refunding General Obligation Bonds***

On September 18, 2007, the School District issued \$17,670,000 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$11,275,000, \$6,235,000 and \$160,000, respectively. The bonds refunded \$2,670,000 of outstanding 1997 Library Bonds and \$15,000,000 of outstanding 2007 School Facilities Construction and Improvement Notes. The bonds were issued for a twenty-nine year period with final maturities at December 31, 2035.

At the date of refunding, \$18,435,688 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$2,670,000 of the 1997 Library Bonds and \$15,000,000 of the notes were retired. The bonds were issued with a premium of \$765,688.

The bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 4.250 to 5.250 percent. The term bonds that mature in fiscal year 2036 with an interest rate of 5.250 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2030	\$ 760,000
2031	800,000
2032	840,000
2033	885,000
2034	935,000
2035	980,000

The remaining principal amount of term bonds in the amount of \$1,035,000 will be paid at stated maturity on December 1, 2035.

The term bonds maturing after December 1, 2018 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2017.

The capital appreciation bonds will mature December 1, 2018 and 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is noted. The maturity amount of the bonds is \$690,000. The fiscal year 2014 accretion amount was \$39,621.

***2008 School Facilities Construction and Improvement Note***

On February 28, 2008, the School District entered into a note with the Columbus Regional Airport Authority for improvements and construction of school facilities, constructing additions to and renovating and improving school facilities under the Ohio School Facilities Commission Expedited Local Partnership Program. As part of the agreement, the Columbus Regional Airport deposited \$1,000,000 with a trustee. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. The note will be paid from tax levy proceeds.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

The general obligation bonds and note will be paid from the bond retirement debt service fund.

The leases will be paid from the general fund and the permanent improvement fund.

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

Fiscal Year Ending June 30,	Construction and Improvement Note	General Obligation Bonds	Capital Appreciation Bonds	Interest/ Accretion	Total
2015	\$ 23,000	\$ 485,000	\$ 0	\$ 798,239	\$ 1,306,239
2016	24,000	560,000	0	774,237	1,358,237
2017	25,000	600,000	0	747,297	1,372,297
2018	26,000	640,000	0	718,158	1,384,158
2019	28,000	465,000	100,000	796,983	1,389,983
2020-2024	159,000	2,970,000	60,000	3,479,365	6,668,365
2025-2029	205,000	3,270,000	0	2,199,595	5,674,595
2030-2034	261,000	4,220,000	0	1,168,469	5,649,469
2035-2036	123,000	2,015,000	0	113,283	2,251,283
Total	<u>\$ 874,000</u>	<u>\$ 15,225,000</u>	<u>\$ 160,000</u>	<u>\$ 10,795,626</u>	<u>\$ 27,054,626</u>

**NOTE 9 - LEASE-PURCHASE AGREEMENT**

In fiscal year 2006, the School District entered into a lease agreement with the Columbus Regional Airport Authority for the construction of a new middle school building. At the time the School District entered into this lease, the building had not yet been constructed. As part of the agreement, Columbus Regional Airport Authority, as lessor, deposited \$13,000,000 with a trustee for the construction of the building. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. All payments will be made to the U.S. Bank, third party administrator. Interest is calculated on a weekly basis using the BMA rate plus 73.1 bpts. At June 30, 2014 the interest rate was 1.501 percent.

The following is a schedule of the future long term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2014:

Year Ending June 30,	2015	\$ 516,363
	2016	529,083
	2017	538,151
	2018	549,325
	2019	561,315
	2020-2024	2,997,991
	2025-2029	3,364,212
	2030-2034	3,507,917
		<u>\$ 12,564,357</u>
	Less amount representing interest	1,315,357
	Present value of minimum lease payments	<u>\$ 11,249,000</u>

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

In December of 2013, the School District entered into a lease-purchase agreement with De Lage Landen Public Finance for the purchase of two new buses. Payments of \$43,322, including interest of 2.12 percent, are made annually from the General Fund with final maturity in fiscal year 2017.

The following is a schedule of the future long term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2014:

Year Ending June 30,	2015		\$ 43,322
	2016		43,322
	2017		43,322
			\$ 129,966
	Less amount representing interest		5,322
	Present value of minimum lease payments		\$ 124,644

**NOTE 10 - SET ASIDE REQUIREMENTS**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. For the fiscal year ended June 30, 2014, the reserve activity was as follows:

	<u>Capital Acquisition</u>
Set-Aside Reserve Balance June 30, 2013	\$ 0
Current Year Set Aside Requirement	276,250
Current Year Offsets	(898,796)
Total	\$ (622,546)
Balance carried forward to FY 2015	\$ 0
Set-Aside Reserve Balance June 30, 2014	\$ 0

Although the School District had offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

**NOTE 11 - RELATED ORGANIZATION**

The Orrville Public Library (the “Library”) is a related organization to the School District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2014.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Tri-County Computer Service Association (TCCSA)**

The Midland Council of Governments dba/Tri-County Computer Services Association is organized under Chapter 167 of the Ohio Revised Code. The Tri-County Computer Services Association (TCCSA) is a jointly governed organization. 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 for member districts in Ashland, Holmes, Medina and Wayne counties. TCCSA is governed by representatives from each of the participating public school districts served by TCCSA. TCCSA is recognized as one of twenty-three regional Information Technology Centers (ITC) as defined by the Ohio Department of Education. Each of the participating districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. Financial information can be obtained by contacting the Executive Director at the Tri-County Computer Services Association located at 2125 Eagle Pass, Wooster, OH 44691. During the fiscal year ended June 30, 2014, the School District paid \$158,785 to TCCSA for basic service charges.

**B. Wayne County Career Center**

The Wayne County Career Center (the Career Center), a joint vocational school, is a jointly governed organization providing vocational services to its ten member school districts. The Career Center is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the School District's continued participation and no equity interest exists.

**NOTE 13 - PUBLIC ENTITY RISK POOL**

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 15 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2014, the IDEA Special Education Grant Fund and the Title II-D Fund had deficit balances in the amounts of \$36,071 and \$9,736, respectively. These deficit fund balances were created at June 30, 2014, as a result of the timing of disbursements for grant expenditures.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund is as follows:

Net Change in Fund Balance	
	<u>General Fund</u>
Modified Cash Basis	\$ 1,714,335
Funds budgeted elsewhere**	(24,552)
Adjustment for encumbrances	<u>(640,522)</u>
Budget Basis	<u>\$ 1,049,261</u>

\*\*As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting*”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the modified cash basis. This includes the unclaimed funds, rotary and public school support funds.

**NOTE 17 - SIGNIFICANT COMMITMENTS**

**A. Contractual Commitments**

At June 30, 2014, the School District had the following outstanding contractual commitments:

<u>Project</u>	<u>Contracted Amount</u>	<u>Amount Remaining</u>
High School Building Project	\$ 1,252,720	\$ 710,770
Roofing Repair/Replacement	124,800	124,800
Total	<u>\$ 1,377,520</u>	<u>\$ 835,570</u>

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**B. Other Commitments**

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

Fund	Amount
General	\$ 665,956
Permanent Improvement	782,100
Classroom Facilities	44,775
Other Governmental	110,426
	\$ 1,603,257

**NOTE 18 - FUND BALANCE**

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

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

	General	Permanent Improvement	Classroom Facilities	Other Governmental	Total Governmental
Nonspendable for:					
Unclaimed Funds	\$ 29,161	\$ 0	\$ 0	\$ 0	\$ 29,161
Restricted for:					
Permanent Improvements	0	1,284,060	22,127	0	1,306,187
Classroom Facilities Maintenance	0	0	0	464,534	464,534
Debt Retirement	0	0	0	424,871	424,871
Food Service Operations	0	0	0	397,236	397,236
Extracurricular Activities	0	0	0	71,117	71,117
Scholarships	0	0	0	51,955	51,955
Regular Instruction	0	0	0	5,577	5,577
Special Instruction	0	0	0	18,742	18,742
Technology Improvement	0	0	0	10,442	10,442
Total Restricted	0	1,284,060	22,127	1,444,474	2,750,661
Assigned for:					
Instruction	273,655	0	0	0	273,655
Support Services	383,384	0	0	0	383,384
Subsequent Years Appropriations	23,000	0	0	0	23,000
Total Assigned	680,039	0	0	0	680,039
Unassigned	2,405,649	0	0	(45,807)	2,359,842
Total Fund Balances	\$ 3,114,849	\$ 1,284,060	\$ 22,127	\$ 1,398,667	\$ 5,819,703

**Orrville City School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**NOTE 19 - INTERFUND TRANSFERS**

During fiscal year 2014, the School District transferred \$68,357 from the Classroom Facilities fund to the Permanent Improvement fund. The School District's Classroom Facilities project agreement was amended, resulting in a reduction in local share, and these funds were returned to the Permanent Improvement fund.

**NOTE 20 - RESTATEMENT OF FUND BALANCES**

The beginning fund balances of the Permanent Improvement fund and the Classroom Facilities fund have been restated due to a correction of disbursements in prior years. The School District had originally planned to renovate the existing high school as part of the Ohio Facilities Construction Commission ("OFCC") project. During the design process, the School District and OFCC determined the needs of the School District would be better served with a new free-standing high school building. During fiscal year 2011, a new master facilities plan was approved by the School District and OFCC after design costs had been incurred and paid to the architect from the Classroom Facilities fund for renovations of the existing high school. During fiscal year 2011, it was determined these costs needed to be recorded as part of the School District's local Permanent Improvement fund and were unrelated to the OFCC project, and a correcting entry should have been recorded at that time. The restatement had the following effects:

	Permanent Improvement	Classroom Facilities
Fund Balance Previously Reported June 30, 2013	\$ 2,074,814	\$ 2,063,516
Adjustment:		
Construction cost allocation	(262,886)	262,886
Restated Net Position at July 1, 2013	\$ 1,811,928	\$ 2,326,402

**NOTE 21 - SUBSEQUENT EVENT**

On October 8, 2014, the School District issued \$8,295,000 of Refunding Bonds for the purpose of advance refunding a portion of the School District's "School Facilities Construction and Improvement and Refunding Bonds, Series 2007." The 2014 bonds were issued with interest rates of 1.00 to 4.00 percent and have a final maturity of December 1, 2035.

December 23, 2014

To the Board of Education  
Orrville City School District  
Wayne County, Ohio  
815 North Ella Street  
Orrville, Ohio 44667

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

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orrville City School District, Wayne County, Ohio (the "School District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 23, 2014, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted the June 30, 2013 Permanent Improvement and Classroom Facilities fund balances have been restated.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***School District's Response to Findings***

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

***Purpose of this Report***

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

*Rea & Associates, Inc.*

New Philadelphia, Ohio

December 23, 2014

To the Board of Education  
Orrville City School District  
Wayne County, Ohio  
815 North Ella Street  
Orrville, Ohio 44667

**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**

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

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

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

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

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

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

*Rea & Associates, Inc.*

New Philadelphia, Ohio

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Program Year	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through the Ohio Department of Education:</i>				
<b>Child Nutrition Cluster:</b>				
School Breakfast Program	2014	10.553	\$ 94,105	\$ 94,105
National School Lunch Program (Food Distribution)	2014	10.555	50,421	50,421
National School Lunch Program	2014	10.555	366,381	366,381
Summer Food Service Program	2014	10.559	24,928	24,928
Total Child Nutrition Cluster			535,835	535,835
<b>Total U.S. Department of Agriculture</b>			<b>535,835</b>	<b>535,835</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through the Ohio Department of Education:</i>				
Special Education - Grants to States (IDEA Part B)	2013	84.027	43,081	37,803
Special Education - Grants to States (IDEA Part B)	2014	84.027	279,006	316,151
Total Special Education			322,087	353,954
Grants to Local Educational Agencies (Title I)	2013	84.010	19,736	56,721
Grants to Local Educational Agencies (Title I)	2013	84.010	403,762	390,256
Total Title I Grants			423,498	446,977
Rural and Low-Income, Title VI-B	2014	84.358	27,719	31,184
English Language Acquisition State Grants (Title III)	2013	84.365	10,082	-
English Language Acquisition State Grants (Title III)	2014	84.365	8,076	6,835
Total English Language Acquisition State Grants (Title III)			18,158	6,835
Improving Teacher Quality State Grants (Title II-A)	2013	84.367	5,967	14,303
Improving Teacher Quality State Grants (Title II-A)	2014	84.367	48,270	41,697
Total Improving Teacher Quality State Grants (Title II-A)			54,237	56,000
<b>Total U.S. Department of Education</b>			<b>845,699</b>	<b>894,950</b>
<b>Totals</b>			<b>\$ 1,381,534</b>	<b>\$ 1,430,785</b>

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

**Orrville City School District  
Wayne County, Ohio**

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis  
For the Fiscal Year Ended June 30, 2014*

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**Note A – Significant Accounting Policies**

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

**Note B – Child Nutrition Cluster**

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

**Note C – Food Donation Program**

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

**Note D - Transfers**

Federal regulations require school districts to obligate certain federal awards by June 30. However, with ODE’s consent, school districts can transfer unobligated amounts to the subsequent fiscal year’s program. These transfers result in the Schedule reporting negative receipts. The School District transferred the following amounts from 2013 to 2014 programs:

<u>CFDA</u>		<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.358	Rural and Low-Income, Title VI-B	2013	\$ 1,441	
84.358	Rural and Low-Income, Title VI-B	2014		\$ 1,441

**Note E - Ohio Bureau of Workers’ Compensation Rebate**

Ohio’s workers’ compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers’ Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In May 2013, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio’s workers’ compensation system. Each employer’s rebate reflected 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state. Using policy year 2011 as the base year for calculation, the School District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the School District’s Schedule of Expenditures of Federal Awards.

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY, OHIO  
SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133, Section .505  
JUNE 30, 2014**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Special Education - Grants to States (IDEA Part B) Grants to Local Educational Agencies (Title I)	CFDA # 84.027  CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY, OHIO  
SCHEDULE OF FINDINGS (continued)  
OMB CIRCULAR A-133, Section .505  
JUNE 30, 2014**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING 2014-001  
Material Non-Compliance**

**Criteria:** Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

**Condition:** The School District chose to prepare its financial statements and notes on the basis of modified cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP.

**Cause:** The Orrville City School District Board of Education elected to discontinue preparing its financial statements in accordance with GAAP. It was determined that the decision on whether or not to comply will be revisited annually and reviewed in conjunction with recommendation of the Treasurer.

**Effect:** The financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that are material, however, cannot be determined at this time.

**Recommendation:** It is recommended that the School District prepare its annual financial report in accordance with GAAP to comply with Ohio Admin. Code Section 117-2-03(B).

**Management's Response:** The Orrville City Board of Education recognizes the value in preparing accurate and timely financial statements to reflect the School District's operations as of fiscal year end. Due to the cost requirement of preparing these financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statements on a modified cash basis of accounting will accurately reflect the district's financial position and allow for those resources previously spent on GAAP to be allocated to education purposes.

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

**ORRVILLE CITY SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2013-01	Material Non-Compliance – The School District’s financial statements prepared on modified cash basis.	No	Not corrected and repeated as finding 2014-001.

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# Dave Yost • Auditor of State

**ORRVILLE CITY SCHOOL DISTRICT**

**WAYNE 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  
FEBRUARY 26, 2015**