

PLEASANT LOCAL SCHOOL DISTRICT

MARION COUNTY

AUDIT REPORT

For the Year Ended June 30, 2014





Dave Yost • Auditor of State

Board of Education
Pleasant Local School District
1107 Owens Road, West
Marion, Ohio 43302

We have reviewed the *Independent Auditor's Report* of the Pleasant Local School District, Marion County, prepared by Charles E. Harris & 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 Pleasant Local 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

May 13, 2015

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**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY
AUDIT REPORT
For the Year Ended June 30, 2014**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Pleasant Local School District
Marion County
1107 Owens Road West
Marion, Ohio 43302

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Pleasant Local School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplemental and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
February 20, 2015

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

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

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position of governmental activities increased \$209,701, which represents a 2.3% increase from 2013.
- Revenues for governmental activities totaled \$12,520,899 in 2014. Of this total, \$8,724,104 or 69.7% consisted of general revenues while program revenues accounted for the balance of \$3,796,795 or 30.3%.
- The School District had \$12,311,198 in expenses related to governmental activities; only \$3,796,795 of these expenses was offset by program specific charges for services and operating grants and contributions. General revenues (primarily taxes and school foundation) of \$8,724,104 were adequate for these programs.
- Program expenses totaled \$12,311,198. Instructional expenses made up \$8,016,361 or 65.1% of this total while support services accounted for \$3,354,870 or 27.3%. Other expenses, \$939,967 rounded out the remaining 7.6%.
- Unrestricted net position carried a balance of \$3,186,515, an increase of \$71,413 from the prior year's balance of \$3,115,102. This component of net position is primarily related to the activity of the general fund.

Using this Annual Financial 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 Pleasant Local School District as a financial whole, or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Pleasant Local School District, the general fund, permanent improvement capital projects fund, and debt service fund are the most significant funds.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The analysis of the School District as a whole begins on page 5. While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?". The *Statement of Net Position* and the *Statement of Activities* assist in answering these questions. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the readers 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 restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School Districts' activities are considered to be all governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. Fund financial reports provide detailed information about the general fund, the permanent improvement capital projects fund and the debt service fund and the building fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation.

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

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's own programs. These funds use the accrual basis of accounting.

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2014 and fiscal year 2013:

Table 1
Net Position
Governmental Activities

| | 2014 | Restated 2013 |
|--------------------------------------|--------------|------------------|
| Assets | | |
| Current and other assets | \$ 7,576,996 | \$ 8,294,222 |
| Capital assets, net of depreciation | 6,323,380 | 6,596,224 |
| Total assets | 13,900,376 | 14,890,446 |
| Liabilities | | |
| Other liabilities | 1,018,046 | 1,296,540 |
| Long-term liabilities: | | |
| Due within one year | 383,780 | 331,605 |
| Due in more than one year | 1,504,422 | 1,833,452 |
| Total liabilities | 2,906,248 | 3,461,597 |
| Deferred inflows of resources | | |
| Property taxes | 1,716,103 | 2,360,525 |
| Net Position | | |
| Net investment in capital assets | 5,117,897 | 5,124,913 |
| Restricted | 973,613 | 828,309 |
| Unrestricted | 3,186,515 | 3,115,102 |
| Total net position | \$ 9,278,025 | \$ 9,068,324 |

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School District's assets exceeded liabilities and deferred inflows of resources by \$9,278,025.

Capital assets, reported on the government-wide statements represent a large component of net position. Capital assets include land, land improvements, buildings and building improvements, furniture, fixtures and equipment, vehicles and infrastructure used to provide services to students and are not available for future spending.

Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$973,613, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$741,475 or 76.2% is restricted for debt service payments and another small amount, \$232,138 or 23.8% is restricted for other purposes. The remaining significant balance of government-wide unrestricted net position of \$3,186,515 may be used to meet the government's ongoing obligations to students and staff.

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

Table 2 reflects the changes in net assets for fiscal year 2014 and fiscal year 2013.

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Table 2 | | |
| Governmental Activities | | |
| Program Revenues | | |
| Charges for services | \$ 2,622,580 | \$ 2,534,580 |
| Operating grants and contributions | <u>1,174,215</u> | <u>1,068,673</u> |
| Total program revenues | <u>3,796,795</u> | <u>3,603,253</u> |
| General Revenues | | |
| Property taxes | 4,109,353 | 3,954,480 |
| Grants and entitlements | 4,527,595 | 4,322,446 |
| Gain on sale of capital assets | 3,682 | - |
| Investment earnings | 10,782 | 12,277 |
| Miscellaneous | <u>72,692</u> | <u>252,685</u> |
| Total general revenues | <u>8,724,104</u> | <u>8,541,888</u> |
| Total revenues | <u>12,520,899</u> | <u>12,145,141</u> |
| Program Expenses | | |
| Instruction: | | |
| Regular | 6,970,289 | 7,245,498 |
| Special | 706,942 | 758,637 |
| Vocational | 146,350 | 128,734 |
| Other | 192,780 | 3,774 |
| Support services: | | |
| Pupils | 364,301 | 386,929 |
| Instructional staff | 243,843 | 327,226 |
| Board of education | 42,390 | 73,128 |
| Administration | 976,409 | 1,029,151 |
| Fiscal | 297,752 | 313,755 |
| Operation and maintenance of plant | 990,455 | 1,069,020 |
| Pupil transportation | 417,982 | 446,937 |
| Central | 21,738 | - |
| Operation non-instructional services | 458,014 | 514,699 |
| Extracurricular activities | 449,262 | 505,790 |
| Interest and fiscal charges | <u>32,691</u> | <u>46,751</u> |
| Total Program Expenses | <u>12,311,198</u> | <u>12,850,029</u> |
| Change in net position | 209,701 | (704,888) |
| Net position beginning of year, restated | <u>9,068,324</u> | <u>9,806,809</u> |
| Restatement of unamortized bond issuance costs | - | (33,597) |
| Net position end of year | <u>\$ 9,278,025</u> | <u>\$ 9,068,324</u> |

Pleasant Local School District
Management's Discussion and Analysis
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Governmental Activities

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$4.1 million in 2014. The property tax revenue increased from the prior year due to an increase in the amount available as an advance. General revenues from grants and entitlements, such as the school foundation program, generated over \$4.5 million. With the combination of taxes and intergovernmental funding 69.0% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 reflects that the total cost of instructional services was \$8,016,361 or 65.1% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. As compared to the prior year, these expenses decreased \$120,282, or 1.5% mainly due to decreased enrollment.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent \$608,144 of the total governmental program expenses, or 4.9%. These expenses decreased from the prior year in the amount of \$106,011, or 14.8% due to conservative spending.

Board of Education, administration and fiscal classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$1,316,551 or 10.7% of governmental program expenses. Expenses of these programs decreased \$99,483, or 7.0%, as compared to fiscal year 2013.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$990,455 or 8.1% of the governmental program expenses. Expenses for providing this program decreased \$78,565, or 7.3% as compared to the prior year.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$417,982 or 3.4% of the total governmental program expenditures. Expenses for providing this program decreased \$28,955, or 6.5% as compared to the prior year.

Overall, expenses for governmental activities decreased \$538,831 or 4.2% from fiscal year 2013 reported amounts. As seen above, the most significant cause of this decrease was due to a decrease in instructional expenses.

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Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

| | Total Cost of Services 2014 | Total Cost of Services 2013 | Net Cost of Services 2014 | Net Cost of Services 2013 |
|--------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Program Expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 6,970,289 | \$ 7,245,498 | \$ (4,792,911) | \$ (4,924,170) |
| Special | 706,942 | 758,637 | (454,443) | (370,199) |
| Vocational | 146,350 | 128,734 | (146,350) | (123,131) |
| Other | 192,780 | 3,774 | (30,953) | (3,774) |
| Support services: | | | | |
| Pupils | 364,301 | 386,929 | (121,471) | (336,929) |
| Instructional staff | 243,843 | 327,226 | (229,573) | (321,826) |
| Board of education | 42,390 | 73,128 | (42,390) | (73,128) |
| Administration | 976,409 | 1,029,151 | (753,658) | (1,029,151) |
| Fiscal | 297,752 | 313,755 | (297,752) | (313,755) |
| Operation and maintenance of plant | 990,455 | 1,069,020 | (990,455) | (1,069,020) |
| Pupil transportation | 417,982 | 446,937 | (406,463) | (428,829) |
| Central | 21,738 | - | (21,738) | - |
| Operation non-instructional services | 458,014 | 514,699 | 62,380 | 1,820 |
| Extracurricular activities | 449,262 | 505,790 | (255,935) | (207,933) |
| Interest and fiscal charges | 32,691 | 46,751 | (32,691) | (46,751) |
| Total | <u>\$ 12,311,198</u> | <u>\$ 12,850,029</u> | <u>\$ (8,514,403)</u> | <u>\$ (9,246,776)</u> |

As can be seen in the table above, instruction and support services are supported largely with general revenues of the School District. However, approximately 31.2 percent of regular instruction expenses are offset by program revenue charges for services and operating grants. The majority of this support is generated through open enrollment. In addition, approximately 35.7 percent of special instruction is supported through program revenue charges for services and operating grants. Specifically, the District receives federal special education and title I grants to offset these expenses. The non-instructional program is supported through program revenues, which consist of cafeteria sales and state and federal subsidies for food service operations.

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

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The general fund experienced a 17.87 percent increase in fund balance.

Table 4
Fund Balances

| | <u>Fund Balance</u> <u>June 30, 2014</u> | <u>Fund Balance</u> <u>June 30, 2013</u> | <u>Increase/</u> <u>(Decrease)</u> | <u>Percent</u> <u>Change</u> |
|-----------------------|---|---|---------------------------------------|---------------------------------|
| General | \$ 2,875,096 | \$ 2,439,172 | \$ 435,924 | 17.87 |
| Permanent improvement | 766,610 | 1,054,211 | (287,601) | (27.28) |
| Debt service | 733,672 | 763,767 | (30,095) | (3.94) |
| Other governmental | <u>160,734</u> | <u>73,027</u> | <u>87,707</u> | <u>120.10</u> |
| Total | <u>\$ 4,536,112</u> | <u>\$ 4,330,177</u> | <u>\$ 205,935</u> | <u>106.75</u> |

General Fund

The net change in fund balance for the fiscal year was not too significant in the general fund reporting a fund balance of \$2,875,096, an increase of \$435,924 from 2013. This increase was primarily attributable to an overall decrease in expenditures and an increase in property tax and intergovernmental revenues.

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Table 5
General Fund Changes in Revenues and Expenditures

| | 2014 Amount | 2013 Amount | Increase (Decrease) | Percent Change |
|------------------------------------|----------------------|----------------------|------------------------|-------------------|
| <u>Revenues:</u> | | | | |
| Property taxes | \$ 3,988,622 | \$ 3,738,253 | \$ 250,369 | 6.70% |
| Intergovernmental | 4,547,171 | 4,289,883 | 257,288 | 6.00% |
| Interest | 11,308 | 12,191 | (883) | -7.24% |
| Tuition and fees | 2,071,904 | 1,917,506 | 154,398 | 8.05% |
| Extracurricular activities | 74,136 | 124,553 | (50,417) | -40.48% |
| Gifts and donations | 654 | 16,661 | (16,007) | -96.07% |
| Charges for services | 7,440 | 18,108 | (10,668) | -58.91% |
| Miscellaneous | 72,038 | 245,705 | (173,667) | -70.68% |
| Total revenues | <u>10,773,273</u> | <u>10,362,860</u> | <u>410,413</u> | |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,673,084 | 6,895,451 | (222,367) | -3.22% |
| Special | 582,746 | 653,760 | (71,014) | -10.86% |
| Vocational | 140,721 | 128,578 | 12,143 | 9.44% |
| Other | 8,724 | - | 8,724 | 0.00% |
| Support services: | | | | |
| Pupils | 122,021 | 137,436 | (15,415) | -11.22% |
| Instructional staff | 240,353 | 304,542 | (64,189) | -21.08% |
| Board of education | 42,390 | 73,128 | (30,738) | -42.03% |
| Administration | 779,839 | 839,116 | (59,277) | -7.06% |
| Fiscal | 307,589 | 303,139 | 4,450 | 1.47% |
| Operation and maintenance of plant | 765,852 | 790,560 | (24,708) | -3.13% |
| Pupil transportation | 336,897 | 376,364 | (39,467) | -10.49% |
| Central | 21,738 | - | 21,738 | 0.00% |
| Extracurricular | 227,138 | 259,331 | (32,193) | -12.41% |
| Capital outlay | 20,045 | - | 20,045 | 0.00% |
| Debt service: | | | | |
| Principal retirement | 67,860 | 64,876 | 2,984 | 4.60% |
| Interest and fiscal charges | 7,930 | 10,914 | (2,984) | -27.34% |
| Total expenditures | <u>\$ 10,344,927</u> | <u>\$ 10,837,195</u> | <u>\$ (492,268)</u> | |

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2014, the School District amended its general fund budget as expenditure priorities changed according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

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

For the general fund, the final budget basis revenue and other financing sources estimate was \$10,589,272, representing no change from the original budget estimate. Actual revenue and other financing sources of \$10,976,144 increased \$386,872 from the final budget basis revenue estimate. This increase of actual revenues was mainly due to intergovernmental and tuition and fees revenue that was not known at the budgeting process.

The original expenditures and other financing uses budget of \$10,810,586 was equal to the final expenditures and other financing uses budget amount. Actual expenditures and other financing uses plus encumbrances of \$10,801,546 reported was \$9,040 lower than the final expenditure budget due to conservative spending.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014 the School District had \$6,323,380 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$272,844 mainly due from current year depreciation expense exceeding current year additions. For further information regarding the School District's capital assets, refer to Note 7 to the basic financial statements.

Table 6
Capital Assets, at Fiscal Year End
(Net of Depreciation)

| | Governmental Activities | |
|-------------------------------------|-------------------------|--------------|
| | 2014 | 2013 |
| Land | \$ 416,997 | \$ 416,997 |
| Land improvements | 1,036,273 | 1,144,785 |
| Buildings and building improvements | 4,199,773 | 4,306,084 |
| Furniture, fixtures and equipment | 261,576 | 354,479 |
| Vehicles | 338,001 | 301,167 |
| Infrastructure | 70,760 | 72,712 |
| Total capital assets | \$ 6,323,380 | \$ 6,596,224 |

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

Debt

At June 30, 2014, the School District had \$1,205,483 in bonds, loans and capital leases outstanding with \$271,012 due within one year. Table 7 summarizes the bonds outstanding:

Table 7
Outstanding Debt, at Fiscal Year End
Governmental Activities

| | 2014 | 2013 |
|--------------------------------|--------------|--------------|
| 2011 School Improvement Bonds | \$ 1,045,000 | \$ 1,240,000 |
| Unamortized premium | 5,389 | 8,357 |
| 2012 Energy Conservation Bonds | 129,615 | 178,896 |
| Capital leases | 25,479 | 44,058 |
| Total outstanding | \$ 1,205,483 | \$ 1,471,311 |

At June 30, 2014, the School District had outstanding school improvement general obligation bonds, in the amount of \$1,045,000, for building improvements. The bonds, originally issued for a twenty-five year period, with final maturity on December 1, 2018, were refunded in fiscal year 2011, generating a savings of approximately \$155,000 to the School District over the remaining term of the bonds. The School District also had an outstanding energy conservation loan, with an outstanding balance of \$129,615. This loan will be fully retired in fiscal year 2017.

The School District also had outstanding capital leases for equipment, in the amount of \$25,479. In addition to the bonds and leases, the School District's long-term obligations include compensated absences. For further information regarding the School District's long-term obligations and capital leases, refer to Note 12 and 13 to the basic financial statements.

School District Outlook

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges. These challenges stem from issues that are at the local and State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

The School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

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

The School District continues to sponsor the Pleasant Community Academy, a community school learning opportunity for kindergarten students. The Academy completed its tenth year of operations in fiscal year 2014. With this Academy, the School District has received federal grant funding enabling it to enhance technological learning opportunities and expand the curriculum for these students.

The School District also sponsors the Pleasant Education Academy (PEA). The PEA was established to provide educational services for students age sixteen to twenty-two who have either dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, suspension or other factors that may impede their educational progress. Federal grant fund for this Academy has also allowed for enhanced technological learning opportunities.

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 reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jolene Carter, Treasurer, Pleasant Local School District, 1107 Owens Road West, Marion, Ohio 43302.

Pleasant Local School District

Statement of Net Position

June 30, 2014

| | Primary | Component Units | |
|--|----------------------------|-------------------------------|-------------------------------|
| | Governmental Activities | Pleasant Community Academy | Pleasant Education Academy |
| <u>Assets:</u> | | | |
| Equity in pooled cash and cash equivalents | \$ 3,734,864 | \$ 494,923 | \$ 201,186 |
| Inventory held for resale | 16,450 | - | - |
| Receivables: | | | |
| Accounts | 1,317 | - | - |
| Intergovernmental | 243,578 | 32,765 | 60,323 |
| Accrued interest | 2,743 | - | - |
| Taxes | 3,578,044 | - | - |
| Capital assets: | | | |
| Nondepreciable capital assets | 416,997 | - | - |
| Depreciable capital assets | 11,803,593 | 224,240 | 279,920 |
| Accumulated depreciation | (5,897,210) | (218,301) | (244,833) |
| Total net capital assets | 6,323,380 | 5,939 | 35,087 |
| Total assets | 13,900,376 | 533,627 | 296,596 |
| <u>Liabilities:</u> | | | |
| Accounts payable | 66,811 | - | 3,218 |
| Accrued wages and benefits | 748,762 | - | - |
| Intergovernmental payable | 200,298 | 9,652 | - |
| Accrued interest payable | 2,175 | - | - |
| Long-term liabilities: | | | |
| Due within one year | 383,780 | - | - |
| Due in more than one year | 1,504,422 | - | - |
| Total liabilities | 2,906,248 | 9,652 | 3,218 |
| <u>Deferred inflows of resources:</u> | | | |
| Property taxes | 1,716,103 | - | - |
| <u>Net Position:</u> | | | |
| Net investment in capital assets | 5,117,897 | 5,939 | 35,087 |
| Restricted for: | | | |
| Debt service | 741,475 | - | - |
| Other purposes | 232,138 | 32,765 | 36,008 |
| Unrestricted | 3,186,515 | 485,271 | 222,283 |
| Total net position | \$ 9,278,025 | \$ 523,975 | \$ 293,378 |

See accompanying notes to the basic financial statements.

Pleasant Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

| | Program Revenues | | |
|---|----------------------|-------------------------|--|
| | Expenses | Charges for Services | Operating Grants, Contributions and Interest |
| <u>Governmental Activities:</u> | | | |
| Instruction: | | | |
| Regular | \$ 6,970,289 | \$ 2,057,871 | \$ 119,507 |
| Special | 706,942 | 71,420 | 181,079 |
| Vocational | 146,350 | - | - |
| Other | 192,780 | - | 161,827 |
| Support services: | | | |
| Pupils | 364,301 | 16,510 | 226,320 |
| Instructional staff | 243,843 | - | 14,270 |
| Board of education | 42,390 | - | - |
| Administration | 976,409 | - | 222,751 |
| Fiscal | 297,752 | - | - |
| Operation and maintenance of plant | 990,455 | - | - |
| Pupil transportation | 417,982 | - | 11,519 |
| Central | 21,738 | - | - |
| Operation of non-instructional services | 458,014 | 286,092 | 234,302 |
| Extracurricular activities | 449,262 | 190,687 | 2,640 |
| Interest and fiscal charges | 32,691 | - | - |
| Total primary government | <u>\$ 12,311,198</u> | <u>\$ 2,622,580</u> | <u>\$ 1,174,215</u> |
| <u>Component Units:</u> | | | |
| Pleasant Community Academy | <u>\$ 395,381</u> | <u>\$ -</u> | <u>\$ 50,553</u> |
| Pleasant Education Academy | <u>\$ 267,297</u> | <u>\$ -</u> | <u>\$ 40,081</u> |

General Revenues:

Property taxes levied for:

 General purposes

 Debt service

Grants and entitlements not restricted to specific programs

Gain on sale of capital assets

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position beginning of year, as restated

Net position end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

| Primary Government | Component Units | |
|----------------------------|-------------------------------|-------------------------------|
| Governmental Activities | Pleasant Community Academy | Pleasant Education Academy |
| \$ (4,792,911) | \$ - | \$ - |
| (454,443) | - | - |
| (146,350) | - | - |
| (30,953) | - | - |
| (121,471) | - | - |
| (229,573) | - | - |
| (42,390) | - | - |
| (753,658) | - | - |
| (297,752) | - | - |
| (990,455) | - | - |
| (406,463) | - | - |
| (21,738) | - | - |
| 62,380 | - | - |
| (255,935) | - | - |
| (32,691) | - | - |
| <u>(8,514,403)</u> | <u>-</u> | <u>-</u> |
| - | (344,828) | - |
| - | - | (227,216) |
| 3,950,815 | - | - |
| 158,538 | - | - |
| 4,527,595 | 704,999 | 291,017 |
| 3,682 | - | - |
| 10,782 | - | - |
| 72,692 | - | 50 |
| <u>8,724,104</u> | <u>704,999</u> | <u>291,067</u> |
| 209,701 | 360,171 | 63,851 |
| <u>9,068,324</u> | <u>163,804</u> | <u>229,527</u> |
| <u>\$ 9,278,025</u> | <u>\$ 523,975</u> | <u>\$ 293,378</u> |

Pleasant Local School District

Balance Sheet

Governmental Funds

June 30, 2014

| | General | Permanent Improvement | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------|-------------------|--------------------------------|--------------------------------|
| <u>Assets:</u> | | | | | |
| Equity in pooled cash and cash equivalents | \$ 2,171,315 | \$ 774,601 | \$ 671,583 | \$ 117,365 | \$ 3,734,864 |
| Inventory held for resale | - | - | - | 16,450 | 16,450 |
| <u>Receivables:</u> | | | | | |
| Accounts | 1,257 | - | - | 60 | 1,317 |
| Intergovernmental | 34,584 | - | - | 208,994 | 243,578 |
| Accrued interest | 2,743 | - | - | - | 2,743 |
| Taxes | 3,444,528 | - | 133,516 | - | 3,578,044 |
| Total assets | <u>\$ 5,654,427</u> | <u>\$ 774,601</u> | <u>\$ 805,099</u> | <u>\$ 342,869</u> | <u>\$ 7,576,996</u> |
| <u>Liabilities, deferred inflows of resources and fund balances:</u> | | | | | |
| <u>Liabilities:</u> | | | | | |
| Accounts payable | \$ 28,752 | \$ 7,991 | \$ - | \$ 30,068 | \$ 66,811 |
| Accrued wages and benefits | 677,470 | - | - | 71,292 | 748,762 |
| Intergovernmental payable | 184,636 | - | - | 15,662 | 200,298 |
| Total liabilities | <u>890,858</u> | <u>7,991</u> | <u>-</u> | <u>117,022</u> | <u>1,015,871</u> |
| <u>Deferred inflows of resources:</u> | | | | | |
| Property taxes | 1,654,654 | - | 61,449 | - | 1,716,103 |
| Unavailable revenue - delinquent property taxes | 233,819 | - | 9,978 | - | 243,797 |
| Unavailable revenue - other | - | - | - | 65,113 | 65,113 |
| Total deferred inflows of resources | <u>1,888,473</u> | <u>-</u> | <u>71,427</u> | <u>65,113</u> | <u>2,025,013</u> |
| <u>Fund balances:</u> | | | | | |
| <u>Restricted for:</u> | | | | | |
| Food service | - | - | - | 91,709 | 91,709 |
| Athletics and music | - | - | - | 32,322 | 32,322 |
| Instructional programs | - | - | - | 55,708 | 55,708 |
| Debt service | - | - | 733,672 | - | 733,672 |
| Committed to underground storage tanks | 11,000 | - | - | - | 11,000 |
| <u>Assigned to:</u> | | | | | |
| Encumbrances | 122,301 | - | - | - | 122,301 |
| Next years budget | 1,159,223 | - | - | - | 1,159,223 |
| Permanent improvements | - | 766,610 | - | - | 766,610 |
| Unassigned | 1,582,572 | - | - | (19,005) | 1,563,567 |
| Total fund balances | <u>2,875,096</u> | <u>766,610</u> | <u>733,672</u> | <u>160,734</u> | <u>4,536,112</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 5,654,427</u> | <u>\$ 774,601</u> | <u>\$ 805,099</u> | <u>\$ 342,869</u> | <u>\$ 7,576,996</u> |

See accompanying notes to the basic financial statements.

Pleasant Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014

| | | |
|---|---------------|---------------------|
| Total governmental fund balances | | \$ 4,536,112 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 6,323,380 |
| Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds: | | |
| Property taxes | \$ 243,797 | |
| Intergovernmental | 65,113 | |
| | 308,910 | 308,910 |
| Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds: | | |
| General obligation bonds | \$(1,045,000) | |
| Unamortized bond premium | (5,389) | |
| Energy conservation loan | (129,615) | |
| Compensated absences | (682,719) | |
| Capital leases | (25,479) | |
| Accrued interest payable | (2,175) | |
| Total | (1,890,377) | (1,890,377) |
| Net position of governmental activities | | \$ 9,278,025 |

See accompanying notes to the basic financial statements.

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

| | General | Permanent Improvement | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------|-------------------|--------------------------------|--------------------------------|
| <u>Revenues:</u> | | | | | |
| Property taxes | \$ 3,988,622 | \$ - | \$ 165,729 | \$ - | \$ 4,154,351 |
| Intergovernmental | 4,547,171 | - | 32,617 | 1,074,416 | 5,654,204 |
| Interest | 11,308 | - | - | 13 | 11,321 |
| Tuition and fees | 2,071,904 | - | - | - | 2,071,904 |
| Extracurricular activities | 74,136 | - | - | 165,948 | 240,084 |
| Gifts and donations | 654 | - | - | 2,640 | 3,294 |
| Charges for services | 7,440 | - | - | 286,092 | 293,532 |
| Miscellaneous | 72,038 | - | - | 17,060 | 89,098 |
| Total revenues | 10,773,273 | - | 198,346 | 1,546,169 | 12,517,788 |
| <u>Expenditures:</u> | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 6,673,084 | 92,852 | - | 92,890 | 6,858,826 |
| Special | 582,746 | - | - | 120,604 | 703,350 |
| Vocational | 140,721 | - | - | - | 140,721 |
| Other | 8,724 | - | - | 184,056 | 192,780 |
| Support services: | | | | | |
| Pupils | 122,021 | - | - | 237,682 | 359,703 |
| Instructional staff | 240,353 | 3,005 | - | 15,818 | 259,176 |
| Board of education | 42,390 | - | - | - | 42,390 |
| Administration | 779,839 | - | - | 185,142 | 964,981 |
| Fiscal | 307,589 | - | 5,386 | - | 312,975 |
| Operation and maintenance of plant | 765,852 | 86,167 | - | - | 852,019 |
| Pupil transportation | 336,897 | 1,371 | - | 13,919 | 352,187 |
| Central | 21,738 | - | - | - | 21,738 |
| Operation of non-instructional services | - | - | - | 446,526 | 446,526 |
| Extracurricular activities | 227,138 | - | - | 174,292 | 401,430 |
| Capital outlay | 20,045 | 104,206 | - | - | 124,251 |
| Debt service: | | | | | |
| Principal retirement | 67,860 | - | 195,000 | - | 262,860 |
| Interest and fiscal charges | 7,930 | - | 28,055 | - | 35,985 |
| Total expenditures | 10,344,927 | 287,601 | 228,441 | 1,470,929 | 12,331,898 |
| Excess of revenues over (under) expenditures | 428,346 | (287,601) | (30,095) | 75,240 | 185,890 |
| <u>Other financing sources (uses):</u> | | | | | |
| Proceeds from sale of capital assets | 20,045 | - | - | - | 20,045 |
| Transfers in | - | - | - | 12,467 | 12,467 |
| Transfers out | (12,467) | - | - | - | (12,467) |
| Total other financing sources (uses) | 7,578 | - | - | 12,467 | 20,045 |
| Net change in fund balances | 435,924 | (287,601) | (30,095) | 87,707 | 205,935 |
| Fund balances at beginning of year | 2,439,172 | 1,054,211 | 763,767 | 73,027 | 4,330,177 |
| Fund balances at end of year | \$ 2,875,096 | \$ 766,610 | \$ 733,672 | \$ 160,734 | \$ 4,536,112 |

See accompanying notes to the basic financial statements.

Pleasant Local School District

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

| | | |
|--|-------------|-------------------|
| Net change in fund balances - total governmental funds | | \$ 205,935 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | | |
| Capital asset additions | \$ 124,251 | |
| Depreciation expense | (380,732) | |
| Excess of depreciation expense over capital asset additions | | (256,481) |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal | | |
| | | (16,363) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of: | | |
| Property taxes | \$ (44,998) | |
| Intergovernmental | 44,953 | |
| Interest | (526) | |
| Net change in deferred inflows of resources during the year | | (571) |
| Repayment of bonds and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| | | 244,281 |
| Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| | | 18,579 |
| Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of: | | |
| Decrease in compensated absences | \$ 11,027 | |
| Decrease in accrued interest payable | 326 | |
| Amortization of premium | 2,968 | |
| Total additional expenditures | | 14,321 |
| Change in net position of governmental activities | | <u>\$ 209,701</u> |

See accompanying notes to the basic financial statements.

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 3,970,539 | \$ 3,970,539 | \$ 3,989,790 | \$ 19,251 |
| Intergovernmental | 4,502,239 | 4,502,239 | 4,531,996 | 29,757 |
| Interest | 12,319 | 12,319 | 10,335 | (1,984) |
| Tuition and fees | 1,984,265 | 1,984,265 | 2,032,181 | 47,916 |
| Extracurricular activities | 23,790 | 23,790 | 24,739 | 949 |
| Gifts and donations | 1,000 | 1,000 | 654 | (346) |
| Charges for services | 9,000 | 9,000 | 7,440 | (1,560) |
| Miscellaneous | 86,120 | 86,120 | 87,406 | 1,286 |
| Total revenues | 10,589,272 | 10,589,272 | 10,684,541 | 95,269 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,637,019 | 6,637,019 | 6,827,051 | (190,032) |
| Special | 626,737 | 626,737 | 608,963 | 17,774 |
| Vocational | 124,810 | 124,810 | 139,475 | (14,665) |
| Other | - | - | 7,241 | (7,241) |
| Support services: | | | | |
| Pupils | 137,947 | 137,947 | 125,290 | 12,657 |
| Instructional staff | 295,919 | 295,919 | 246,295 | 49,624 |
| Board of education | 64,538 | 64,538 | 44,309 | 20,229 |
| Administration | 830,235 | 830,235 | 798,955 | 31,280 |
| Fiscal | 303,655 | 303,655 | 316,921 | (13,266) |
| Operation and maintenance of plant | 882,716 | 882,716 | 882,792 | (76) |
| Pupil transportation | 427,849 | 427,849 | 403,462 | 24,387 |
| Central | - | - | 20,800 | (20,800) |
| Extracurricular activities | 240,088 | 240,088 | 235,260 | 4,828 |
| Debt service: | | | | |
| Principal retirement | 49,178 | 49,178 | 49,281 | (103) |
| Interest and fiscal charges | 4,895 | 4,895 | 4,984 | (89) |
| Total expenditures | 10,625,586 | 10,625,586 | 10,711,079 | (85,493) |
| Excess of revenues over (under) expenditures | (36,314) | (36,314) | (26,538) | 9,776 |
| Other financing sources (uses): | | | | |
| Refund of prior year expenditures | - | - | 104,987 | 104,987 |
| Advances in | - | - | 186,616 | 186,616 |
| Advances out | (150,000) | (150,000) | (50,000) | 100,000 |
| Transfers out | (35,000) | (35,000) | (40,467) | (5,467) |
| Total other financing sources (uses) | (185,000) | (185,000) | 201,136 | 386,136 |
| Net change in fund balance | (221,314) | (221,314) | 174,598 | 395,912 |
| Fund balance at beginning of year | 1,630,211 | 1,630,211 | 1,630,211 | - |
| Prior year encumbrances appropriated | 159,481 | 159,481 | 159,481 | - |
| Fund balance at end of year | \$ 1,568,378 | \$ 1,568,378 | \$ 1,964,290 | \$ 395,912 |

See accompanying notes to the basic financial statements.

Pleasant Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

| | Private Purpose Trust | |
|--|--------------------------|------------------|
| | Scholarships | Agency |
| <u>Assets:</u> | | |
| Equity in pooled cash and cash equivalents | \$ 28,416 | \$ 34,992 |
| Total assets | <u>\$ 28,416</u> | <u>\$ 34,992</u> |
| | | |
| <u>Liabilities:</u> | | |
| Accounts payable | \$ 1,000 | \$ 1,663 |
| Due to students | - | 33,329 |
| Total liabilities | <u>1,000</u> | <u>\$ 34,992</u> |
| | | |
| <u>Net position:</u> | | |
| Held in trust for scholarships | 17,416 | |
| Endowment | 10,000 | |
| Total net position | <u>\$ 27,416</u> | |

See accompanying notes to the basic financial statements.

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

| | Scholarships |
|--|--------------|
| <u>Additions:</u> | |
| Gifts and donations | \$ 14,750 |
| Interest | 22 |
| Total additions | \$ 14,772 |
| <u>Deductions:</u> | |
| Payments in accordance with trust agreements | 4,049 |
| Change in net position | 10,723 |
| Net position beginning of year | 16,693 |
| Net position end of year | \$ 27,416 |

See accompanying notes to the basic financial statements.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the School District and Reporting Entity

Pleasant Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1916. The School District serves an area of approximately thirty-six square miles. It is located in Marion County and includes all of Pleasant Township, portions of Marion and Richland Townships, and a portion of the City of Marion. It is staffed by 57 classified employees, 88 certified teaching personnel, and 6 administrative employees who provide services to 1,211 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

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

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

The component unit column on the financial statements identify the financial data of the School District’s component units, Pleasant Community Academy (PCA) and Pleasant Education Academy (PEA). They are reported separately to emphasize that they are legally separate from the School District. Information about these component units is presented in Notes 17 and 18 to the basic financial statements.

Pleasant Community Academy. PCA is a legally separate, not-for-profit corporation. PCA, under a contractual agreement with the Pleasant Local School District, provides education opportunities to kindergarten students. Pleasant Local School District is PCA’s sponsoring government and PCA’s seven member Board of Directors is appointed by Pleasant Local School District’s Board of Education. Pleasant Local School District is financially accountable for PCA as it appoints PCA’s Board and can impose its will on PCA. PCA is reported as a discretely presented component unit on Pleasant Local School District’s financial statements.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Pleasant Education Academy. PEA is a legally separate, not-for-profit corporation. PEA, under a contractual agreement with the Pleasant Local School District, provides educational opportunities for students who have dropped out of high school or are at risk of dropping out of high school. Pleasant Local School District is PEA's sponsoring government and PEA's five member Board of Directors is appointed by Pleasant Local School District's Board of Education. Pleasant Local School District is financially accountable for PEA as it appoints PEA's Board and can impose its will on PEA. PEA is reported as a discretely presented component unit on Pleasant Local School District's financial statements.

The School District participates in six jointly governed organizations. These organizations are the Tri-Rivers Educational Computer Association; Tri-Rivers Joint Vocational School; North Central Regional Professional Development Center; North Central Ohio Special Education Regional Resource Center; Northwestern Ohio Educational Research Council, Inc. and the Metropolitan Educational Council. These organizations are presented in Notes 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. 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.

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

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds

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

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

Permanent Improvement Fund - The permanent improvement capital projects fund accounts for the acquisition, construction, or improvement of capital facilities.

Debt Service Fund - The debt service Fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. 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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, "available" means expected to be received within sixty days of fiscal year end.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The School District did not report any deferred outflows of resources at year end.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of operation of non-instructional services. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control selected by the Board is the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

At the close of each 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 reappropriated.

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to an interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market value (fair value).

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Cash not required to meet the immediate financial obligations of the district is invested in an investment pool operated under the auspices of the Treasurer of the State of Ohio as provided for by Ohio law so that the district can maximize its investment earnings. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds or federal grants, unless the Board specifically allows the interest to be recorded in other funds.

G. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories of the general fund were not significant at the end of the year. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

H. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand dollars. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

| <u>Asset description</u> | <u>Estimated lives</u> |
|-----------------------------------|------------------------|
| Land improvements | 10 - 20 years |
| Buildings and improvements | 10 - 100 years |
| Furniture, fixtures and equipment | 5 - 20 years |
| Vehicles | 10 - 15 years |
| Infrastructure | 50 years |

I. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

J. Premiums

In governmental fund types, premiums are recognized in the current period. On the statement of net position, premiums are amortized over the term of the debt using the bonds outstanding method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the debt.

K. Compensated Absences

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

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

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Position

Net position represents the difference between all other elements on the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Assigned fund balance classification includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. 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 policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. 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.

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

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

O. Interfund Transactions

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

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

P. Estimates

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

Note 3 - Budgetary Basis of Accounting

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

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance

| | | <u>General</u> |
|--|----|----------------|
| GAAP basis | \$ | 435,924 |
| Revenue accruals | | 85,685 |
| Advances in | | 186,616 |
| Expenditure accruals | | (394,831) |
| Advances out | | (50,000) |
| Budgeted as part of special revenue funds: | | |
| Revenues | | (89,475) |
| Expenditures | | 123,537 |
| Encumbrances (Budget Basis) outstanding at year end | | (122,858) |
| Budget basis | \$ | 174,598 |

Note 4 - Deposits and Investments

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

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

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

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing within five years from the date of deposit or by savings or deposit accounts including pass book accounts. Interim deposits may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

A. Cash on Hand

At fiscal year-end, the School District had \$175 in undeposited cash on hand in various Board-approved change and petty cash accounts which is included as part of "equity in pooled cash and cash equivalents".

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District’s deposits was \$3,797,118. The School District’s bank balance of \$3,842,222 was not exposed to custodial credit risk.

C. Investments

As of June 30, the School District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Percentage of Investments</u> | <u>Maturity</u> | <u>Rating</u> |
|-------------------------------|-------------------|----------------------------------|---------------------|---------------|
| STAR Ohio | \$ 979 | 100.00% | 51.4 ⁽¹⁾ | AAAm |
| ⁽¹⁾ Days (Average) | | | | |

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

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District’s investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor’s has assigned STAR Ohio an AAAM rating. The School District’s investment policy requires certain credit ratings for some investments as allowed by state law.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$11,308, which includes \$4,574 assigned from other School District funds.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal property (used for public utilities) located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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 revenues received in calendar year 2014 represents the collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Marion 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 current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2014 and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources-property taxes. The amount available as an advance at June 30, 2013, was \$1,556,055 in the general fund and \$62,089 in the bond retirement debt service fund.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

| <u>Property Category</u> | <u>2013 Assessed Value</u> |
|--|--------------------------------|
| <u>Real Property</u> | |
| Residential and agricultural | \$ 154,815,440 |
| Commercial, industrial and minerals | 23,186,960 |
| <u>Tangible Personal Property</u> | |
| Public utilities | 10,530,550 |
| Total | <u>\$ 188,532,950</u> |

Note 6 - Receivables

Receivables at year-end consisted of taxes, accounts, interest, interfund, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

| <u>Governmental activities</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| General fund | \$ 34,584 |
| Special revenue funds: | |
| Food service | 26,578 |
| IDEA, Part B special education | 22,696 |
| Title I | 28,507 |
| Miscellaneous federal grants | 131,213 |
| Total intergovernmental receivable | <u>\$ 243,578</u> |

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 - Capital Assets

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

| <u>Governmental Activities</u> | <u>Balance July 1, 2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2014</u> |
|---|---------------------------------|---------------------|--------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 416,997 | \$ - | \$ - | \$ 416,997 |
| Total capital assets, not being depreciated | <u>416,997</u> | <u>-</u> | <u>-</u> | <u>416,997</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 2,747,030 | - | - | 2,747,030 |
| Buildings and improvements | 6,286,247 | - | - | 6,286,247 |
| Furniture, fixtures and equipment | 1,494,176 | 25,543 | (34,293) | 1,485,426 |
| Vehicles | 1,148,491 | 98,708 | (59,909) | 1,187,290 |
| Infrastructure | 97,600 | - | - | 97,600 |
| Total capital assets, being depreciated | <u>11,773,544</u> | <u>124,251</u> | <u>(94,202)</u> | <u>11,803,593</u> |
| Less: Accumulated depreciation | | | | |
| Land improvements | (1,602,245) | (108,512) | - | (1,710,757) |
| Buildings and improvements | (1,980,163) | (106,311) | - | (2,086,474) |
| Furniture, fixtures and equipment | (1,139,697) | (102,083) | 17,930 | (1,223,850) |
| Vehicles | (847,324) | (61,874) | 59,909 | (849,289) |
| Infrastructure | (24,888) | (1,952) | - | (26,840) |
| Total accumulated depreciation | <u>(5,594,317)</u> | <u>(380,732)</u> | <u>77,839</u> | <u>(5,897,210)</u> |
| Total capital assets being depreciated, net | <u>6,179,227</u> | <u>(256,481)</u> | <u>(16,363)</u> | <u>5,906,383</u> |
| Governmental activities capital assets, net | <u>\$ 6,596,224</u> | <u>\$ (256,481)</u> | <u>\$ (16,363)</u> | <u>\$ 6,323,380</u> |

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Depreciation expense was charged to governmental functions as follows:

| | |
|---|-------------------|
| Instruction: | |
| Regular | \$ 108,564 |
| Special | 2,731 |
| Vocational | 156 |
| Support services: | |
| Pupils | 234 |
| Instructional staff | 1,862 |
| Administration | 302 |
| Fiscal | 781 |
| Operation and maintenance of plant | 142,964 |
| Pupil transportation | 64,017 |
| Operation of non-instructional services | 11,289 |
| Extracurricular activities | 47,832 |
| Total depreciation | <u>\$ 380,732</u> |

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage. Coverage provided by the Argonaut Insurance Company is as follows:

| | |
|---|---------------|
| Buildings and Contents - replacement cost | \$ 39,063,618 |
| General Liability | |
| Per Occurrence | 1,000,000 |
| Aggregate | 3,000,000 |
| Excess Liability | 1,000,000 |
| Automobile Liability | 1,000,000 |
| Uninsured Motorists | 1,000,000 |

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

For fiscal year 2014, the School District participated in the Sheakley/Better Business Bureau of Central Ohio, Inc. Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley, Inc. provides administrative, cost control, and actuarial services to the Plan.

The School District participates in the Stark County Schools Council of Governments Health Benefit Plan (Plan), a public entity shared risk pool. The School District pays monthly premiums to the Plan for employee medical, dental, vision, and life insurance benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

Note 9 – Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$217,093, \$209,795, and \$215,450, respectively; 83.3 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 participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, 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 as specified above for members and 14 percent for employers. 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 \$657,785, \$682,500 and \$658,914 respectively; 83.8 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$17,050 made by the School District and \$13,396 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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages.

Note 10 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105 (e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$23,792, \$24,576 and \$34,758 respectively; 97.5 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$12,595, \$11,851 and \$12,723 respectively; 83.3 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 administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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 \$50,599, \$52,500 and \$50,686 respectively; 83.8 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Note 11 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified and administrative employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-one days for all school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of forty-one and one-half days for all employees.

B. Health Care Benefits

The School District offers medical, dental, and life insurance benefits to employees through the Stark County Schools Council of Governments Health Benefit Plan. Employees share the cost of the monthly premium with the Board. The premium varies with the employee depending on the terms of the union contract.

Note 12 - Long-Term Obligations

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

| <u>General Long-term Obligations</u> | <u>Balance</u> <u>July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2014</u> | <u>Due within</u> <u>one year</u> |
|--|---------------------------------------|------------------|---------------------|--|--------------------------------------|
| <u>General Obligation Bonds and Loans</u> | | | | | |
| 2011 School improvement bonds, 2.0% - 3.25% | \$ 1,240,000 | \$ - | \$ (195,000) | \$ 1,045,000 | \$ 200,000 |
| Premium on bonds | 8,357 | - | (2,968) | 5,389 | - |
| 2012 Energy conservation loan | <u>178,896</u> | - | <u>(49,281)</u> | <u>129,615</u> | <u>50,840</u> |
| Subtotal bonds and loans | <u>1,427,253</u> | - | <u>(247,249)</u> | <u>1,180,004</u> | <u>250,840</u> |
| <u>Other Obligations</u> | | | | | |
| Compensated absences | 693,746 | 56,429 | (67,456) | 682,719 | 112,768 |
| Capital leases: | | | | | |
| Copy machines | <u>44,058</u> | - | <u>(18,579)</u> | <u>25,479</u> | <u>20,172</u> |
| Subtotal other obligations | <u>737,804</u> | <u>56,429</u> | <u>(86,035)</u> | <u>708,198</u> | <u>132,940</u> |
| Total general long-term obligations | <u>\$ 2,165,057</u> | <u>\$ 56,429</u> | <u>\$ (333,284)</u> | <u>\$ 1,888,202</u> | <u>\$ 383,780</u> |

School Improvement General Obligation Bonds - On September 23, 1993, the School District issued \$4,500,000 in voted general obligation bonds for building improvements. The bonds were issued for a twenty-five year period, with final maturity on December 1, 2018. On April 29, 2011, the School District refunded these bonds with lower borrowing rates under then-current market conditions, resulting in a cash flow savings over the remaining life of the bonds. The bonds are being retired through the Bond Retirement debt service fund.

Energy Conservation Loan - On June 16, 2006, the School District obtained a loan, in the amount of \$649,941, to provide energy conservation measures for the School District. The loan was obtained for a ten year period, with final maturity in fiscal year 2015. On November 7, 2011, the School District obtained a new loan in the amount of \$250,000 to retire the existing loan. The new loan was obtained for a five year period with final maturity in fiscal year 2017. The loan is retired through the general fund.

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

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The School District's overall debt margin was \$15,793,351 with an unvoted debt margin of \$188,533 at June 30, 2014.

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2014 were as follows:

| Fiscal Year | School Improvement Bonds | | Energy Conservation Loan | | Total |
|----------------|--------------------------|------------------|--------------------------|-----------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2015 | \$ 200,000 | \$ 24,055 | \$ 50,840 | \$ 3,426 | \$ 278,321 |
| 2016 | 205,000 | 19,904 | 52,448 | 1,818 | 279,170 |
| 2017 | 205,000 | 15,701 | 26,327 | 806 | 247,834 |
| 2018 | 215,000 | 10,375 | - | - | 225,375 |
| 2019 | 220,000 | 3,575 | - | - | 223,575 |
| Total | <u>\$ 1,045,000</u> | <u>\$ 73,610</u> | <u>\$ 129,615</u> | <u>\$ 6,050</u> | <u>\$ 1,254,275</u> |

Note 13 - Capital Leases - Lessee Disclosure

In a prior year, the School District entered into a capital lease agreement for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$87,920 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$18,579. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

| Fiscal Year | Lease Payments |
|------------------------------------|-------------------|
| 2015 | \$ 21,524 |
| 2016 | <u>5,381</u> |
| Total minimum lease payments | 26,905 |
| Less: amount representing interest | <u>(1,426)</u> |
| Total | <u>\$ 25,479</u> |

Note 14 – Statutory Reserves

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

The following information describes the change in the year-end set-aside amounts for capital maintenance.

| | Capital Maintenance <u>Reserve</u> |
|---|--|
| Set-aside cash balance as of June 30, 2013 | \$ - |
| Current year set-aside requirement | 202,894 |
| Current year offset | (195,000) |
| Qualifying disbursements | <u>(79,666)</u> |
| Total | <u>\$ (71,772)</u> |
| Balance carried forward to future years | <u>\$ -</u> |

Note 15- Interfund Transfers

During fiscal year 2014, the general fund made transfers to other governmental funds in the amount of \$12,467 to subsidize programs in other funds.

Note 16 - Donor Restricted Endowments

The School District’s private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$10,000 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$17,416 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 17 - Pleasant Community Academy

A. Basis of Presentation

Pleasant Community Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. Pleasant Community Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

B. Deposits and Investments

As of June 30, the carrying amount of the PCA’s deposits was \$494,923. The PCA’s entire bank balance was not exposed to custodial credit risk.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

C. Capital Assets

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

| <u>Governmental Activities</u> | <u>Balance July 1, 2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2014</u> |
|--------------------------------|---------------------------------|-------------------|------------------|----------------------------------|
| Equipment | \$ 224,240 | \$ - | \$ - | \$ 224,240 |
| Less accumulated depreciation | (212,872) | (5,429) | - | (218,301) |
| Net capital assets | <u>\$ 11,368</u> | <u>\$ (5,429)</u> | <u>\$ -</u> | <u>\$ 5,939</u> |

Note 18 - Pleasant Education Academy

A. Basis of Presentation

Pleasant Education Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. Pleasant Education Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

B. Deposits and Investments

As of June 30, the carrying amount of the PEA's deposits was \$201,186. The PEA's entire bank balance was not exposed to custodial credit risk.

C. Capital Assets

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

| <u>Governmental Activities</u> | <u>Balance July 1, 2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2014</u> |
|--------------------------------|---------------------------------|--------------------|------------------|----------------------------------|
| Equipment | \$ 277,621 | \$ 2,299 | \$ - | \$ 279,920 |
| Less accumulated depreciation | (186,186) | (58,647) | - | (244,833) |
| Net capital assets | <u>\$ 91,435</u> | <u>\$ (56,348)</u> | <u>\$ -</u> | <u>\$ 35,087</u> |

Note 19 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2014, the School District paid \$42,346 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 100 Executive Drive, Marion, Ohio 43302.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

C. North Central Regional Professional Development Center

The North Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

D. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a forty-seven member board including the superintendent from the forty-two participating educational entities, one representative from a non-public school, one representative from Knox County Educational Service Center, one representative from Ashland University, and two parents of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from the Knox County Educational Service Center, 308 Martinsburg Road, Mt. Vernon, Ohio 43050.

E. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

F. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred forty-two school districts, libraries, and related agencies in twenty-seven counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 Citygate Drive, Columbus, Ohio 43219.

Note 20 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The School District is not involved in any litigation at this time.

Note 21 – Accountability and Compliance

A. Accountability

As of June 30, 2014, three funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

| <u>Fund</u> | <u>Amount</u> |
|--------------------------------|---------------|
| Nonmajor governmental funds: | |
| Miscellaneous state grants | \$ 14,821 |
| IDEA, Part B special education | 3,451 |
| Improving teacher quality | 733 |

B. Compliance

Section 5704.41 (B), Ohio Revised Code, states no subdivision shall make expenditure of money unless it has been appropriation. Section 5704.41 (D), Ohio Revised Code, states in part that... “Encumbrances should be charged against proper appropriations and actual disbursement plus outstanding encumbrances should not be greater than the total appropriations.” The general fund had expenditures plus outstanding encumbrances in excess of appropriations by \$90,960.

Pleasant Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 22 – Restatement of Net Position

During the previous year, the School District implemented GASB Statement No. 65 which established standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. As a result of this new accounting standard the deferred asset reported for debt issuance cost should have been removed from the Statement of Net Position with the restatement as follows.

| | Governmental <u>Activities</u> |
|-------------------------------------|-----------------------------------|
| Net position, June 30, 2013 | \$ 9,101,921 |
| Prior period adjustment: | |
| Unamortized bond issuance costs | <u>(33,597)</u> |
| Restated net position, July 1, 2013 | <u><u>9,068,324</u></u> |

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**
Schedule of Federal Awards Receipts and Expenditures
For The Fiscal Year Ended June 30, 2014

| Federal Grantor/Pass Through Grantor/Program Title | CFDA Number | Receipts | Disbursements |
|---|------------------------|-------------------|----------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Pass Through Ohio Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | \$ 29,294 | \$ 29,294 |
| National School Lunch Program | | | |
| Cash Assistance | 10.555 | 142,156 | 142,156 |
| Non-Cash Assistance (Food Distribution) | 10.555 | 34,134 | 34,134 |
| Total U.S. Department of Agriculture | | <u>205,584</u> | <u>205,584</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| Pass Through Ohio Department of Education: | | | |
| Title I Grants to Local Educational Agency | 84.010 | 124,479 | 109,280 |
| Special Education-Grants to States | 84.027 | 195,937 | 201,460 |
| Twenty-First Century Community Learning Centers | 84.287 | 325,700 | 294,636 |
| Improving Teacher Quality State Grants | 84.367 | 43,880 | 43,880 |
| Total U.S. Department of Education | | <u>689,996</u> | <u>649,256</u> |
| TOTAL FEDERAL ASSISTANCE | | <u>\$ 895,580</u> | <u>\$ 854,840</u> |

See Notes to the Schedule of Federal Awards Receipts and Expenditures

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first. The amount of non-federal funds is not reported on this schedule.

NOTE C – FOOD DONATION PROGRAM

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

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Pleasant Local School District
Marion County
1107 Owens Road West
Marion, Ohio 43302

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Pleasant Local School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2015.

Internal Controls Over Financial Reporting

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

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

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

Pleasant Local School District
Marion County
Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*

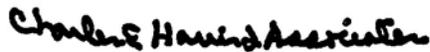
Compliance and Other Matters

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

We noted certain matters that we have reported to management of the District in a separate letter dated February 20, 2015.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
February 20, 2015

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Charles E. Harris & Associates, Inc.
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Pleasant Local School District
Marion County
1107 Owens Road West
Marion, Ohio 43302

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Pleasant Local School District
Marion County
Independent Auditors' Report on Compliance With Requirements
Applicable to the Major Federal Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133

Report on Internal Control Over Compliance

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

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

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

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



Charles E. Harris and Associates, Inc.
February 20, 2015

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY
June 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | <i>Type of Financial Statement Opinion</i> | Unmodified |
| (d)(1)(ii) | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(ii) | <i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(iii) | <i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i> | No |
| (d)(1)(iv) | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| (d)(1)(iv) | <i>Were there any significant deficiencies reported for major federal programs?</i> | No |
| (d)(1)(v) | <i>Type of Major Programs' Compliance Opinion</i> | Unmodified |
| (d)(1)(vi) | <i>Are there any reportable findings under Section .510</i> | No |
| (d)(1)(vii) | <i>Major Programs:</i> | 21st Century Community Learning Centers CFDA 84.287 |
| (d)(1)(viii) | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$300,000 Type B: All Others |
| (d)(1)(ix) | <i>Low Risk Auditee?</i> | Yes |

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2013, reported no material citations or recommendations.



Dave Yost • Auditor of State

PLEASANT LOCAL SCHOOL DISTRICT

MARION 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
MAY 26, 2015**