



Dave Yost • Auditor of State

**REVERE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Revere Local School District
Summit County
3496 Everett Road
Richfield, Ohio 44286

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedules 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, the 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 26, 2015 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 26, 2015

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Revere Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position increased \$5,914,627, which represents a 24 percent increase from 2013.
- Capital assets decreased \$759,267 during fiscal year 2014.
- During the year, outstanding debt decreased \$1,375,821 primarily due to the capital appreciation bonds that matured.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

Revere Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its vision insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 22.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position on pages 25 and 26. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Revere Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The School District as a Whole

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

Table 1
Net Position

	Governmental Activities	
	2014	2013 Restated
Assets		
Current and Other Assets	\$ 54,733,795	\$ 52,676,400
Capital Assets	14,294,949	15,054,216
<i>Total Assets</i>	<u>69,028,744</u>	<u>67,730,616</u>
Liabilities		
Other Liabilities	4,269,099	4,185,922
Long-Term Liabilities	9,230,816	10,672,337
<i>Total Liabilities</i>	<u>13,499,915</u>	<u>14,858,259</u>
Deferred Inflows of Resources	<u>24,736,664</u>	<u>27,994,819</u>
Net Position		
Net Investment in Capital Assets	10,384,949	10,368,536
Restricted	5,461,709	4,317,443
Unrestricted	14,945,507	10,191,559
<i>Total Net Position</i>	<u>\$ 30,792,165</u>	<u>\$ 24,877,538</u>

At year end, capital assets represented 21 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets was \$10,384,949 at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$5,461,709 or 18 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$14,945,507 may be used to meet the government's ongoing obligations to students and creditors.

The \$2,057,395 increase in current and other assets was due to an increase in cash and cash equivalents primarily as a result of cash receipts exceeding disbursements. Additionally, the School District saw an increase in cash receipts and a decrease in disbursements compared to fiscal year 2013. The \$1,441,521 decrease in long term liabilities was primarily caused by the capital appreciation bonds that matured during 2014.

Revere Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013 *
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,683,928	\$ 1,717,766
Operating Grants	1,312,264	1,290,114
Capital Grants	15,000	75,659
<i>Total Program Revenues</i>	<u>3,011,192</u>	<u>3,083,539</u>
<i>General Revenues:</i>		
Property Taxes	31,549,420	27,773,522
Grants and Entitlements Not Restricted	6,905,661	6,656,378
Other	122,186	158,153
<i>Total General Revenues</i>	<u>38,577,267</u>	<u>34,588,053</u>
<i>Total Revenues</i>	<u>41,588,459</u>	<u>37,671,592</u>
Program Expenses		
Instruction:		
Regular	15,319,018	15,917,448
Special	3,443,445	2,267,783
Vocational	305,426	303,953
Student Intervention Services	191,010	907,173
Other	411,214	470,494
Support Services:		
Pupils	1,980,863	1,631,249
Instructional Staff	1,052,091	1,369,961
Board of Education	273,281	344,109
Administration	2,217,360	2,144,793
Fiscal	1,475,932	1,199,025
Business	66,776	83,073
Operation and Maintenance of Plant	3,468,822	4,965,677
Pupil Transportation	2,442,700	2,437,844
Central	324,098	533,143
Operation of Non-Instructional Services:		
Food Service Operations	836,723	945,245
Community Services	333,940	358,219
Extracurricular Activities	1,359,775	1,297,741
Debt Service:		
Interest and Fiscal Charges	124,358	453,726
Issuance Costs	47,000	0
<i>Total Expenses</i>	<u>35,673,832</u>	<u>37,630,656</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 5,914,627</u>	<u>\$ 40,936</u>

* The table above did not require any restated amounts.

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(Unaudited)

Property taxes increased \$3,775,898 over fiscal year 2013. This was primarily caused by an \$874,662 decrease in delinquent taxes and a \$3,203,526 increase in amounts available for advance.

Fluctuations between special instruction and instructional staff and pupil support services expenses can be attributed to the re-coding of expenses in accordance with the revised expenditure standards approved by the State Board of Education on December 11, 2012. The expenditure standards revisions addressed operating expenditures and classroom instruction versus non-classroom expenditures.

Overall, expenses decreased by \$1,956,824 from 2013. Operation of maintenance of plant saw a \$1.5 million decrease because significant facility repair and maintenance projects that were completed during 2013. The \$716,163 decrease in student intervention was primarily due to a decrease in summer remediation expenses while the increase in fiscal expenses was caused by increased auditor and treasurer fees paid to Summit County.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2014	2013 *	2014	2013 *
Instruction:				
Regular	\$ 15,319,018	\$ 15,917,448	\$ 14,678,406	\$ 15,271,332
Special	3,443,445	2,267,783	3,298,835	2,151,940
Vocational	305,426	303,953	305,426	303,953
Student Intervention Services	191,010	907,173	(32,737)	491,561
Other	411,214	470,494	411,214	727,819
Support Services:				
Pupils	1,980,863	1,631,249	1,602,768	1,400,339
Instructional Staff	1,052,091	1,369,961	1,008,763	1,219,054
Board of Education	273,281	344,109	273,281	344,109
Administration	2,217,360	2,144,793	2,164,107	2,067,823
Fiscal	1,475,932	1,199,025	1,475,932	1,199,025
Business	66,776	83,073	66,776	83,073
Operation and Maintenance of Plant	3,468,822	4,965,677	3,461,033	4,952,729
Pupil Transportation	2,442,700	2,437,844	2,442,700	2,437,844
Central	324,098	533,143	324,098	533,143
Operation of Non-Instructional Services:				
Food Service Operations	836,723	945,245	99,200	115,632
Community Services	333,940	358,219	216	24,636
Extracurricular Activities	1,359,775	1,297,741	911,264	769,379
Debt Service:				
Interest and Fiscal Charges	124,358	453,726	124,358	453,726
Issuance Costs	47,000	0	(47,000)	0
Total Expenses	\$ 35,673,832	\$ 37,630,656	\$ 32,568,640	\$ 34,547,117

* The table above did not require any restated amounts.

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(Unaudited)

The dependence upon general revenues for governmental activities is apparent. Over 91 percent of governmental activities are supported through taxes and other general revenues; such revenues are 93 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$42,482,415 and expenditures of \$36,231,267 for fiscal year 2014. The net change in fund balance for the fiscal year was an increase of \$6,200,105 for all governmental funds.

The general fund's net change in fund balance for fiscal year 2014 was an increase of \$4,943,785. This was primarily caused by an increase in property taxes available for advance.

The net change in fund balance in non-major governmental funds was an increase of \$1,256,320. This was primarily caused by a decrease in expenditures, primarily seen in capital outlay because the School District completed several repair and maintenance projects during fiscal year 2013 and not in 2014.

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.

The School District uses site-based budgeting. Budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue of \$33,684,520 was \$6,717 higher than the final budget basis revenue of \$33,677,803. Most of this difference is due to an underestimation of property tax revenue.

Final appropriations of \$33,693,218 were \$1,061,926 higher than the actual expenditures of \$32,631,292, as cost savings were recognized throughout the year.

Revere Local School District
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(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$14,294,949 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 1,001,740	\$ 1,001,740
Land Improvements	2,203,068	2,368,464
Buildings and Improvements	9,737,301	10,324,241
Furniture and Equipment	527,061	269,246
Vehicles	825,779	1,090,525
<i>Totals</i>	\$ 14,294,949	\$ 15,054,216

The \$759,267 decrease in capital assets was attributable to current depreciation and disposals exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2014, the School District had \$7,135,768 in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2014	2013
2011 Energy Conservation Improvement Bond	\$ 3,225,768	\$ 3,225,768
2003 Bond Refunding	0	3,910,000
2003 Capital Appreciation Bonds	0	599,880
Accretion on Capital Improvement Bonds	0	559,233
2013 Bond Refunding	3,910,000	0
<i>Total</i>	\$ 7,135,768	\$ 8,511,589

Current Issues

The Revere Local School District's students continue to achieve at the highest levels academically which is our primary mission. These results are clearly derived from the combined effort of our students, staff, parents and community. The students come prepared to learn, the staff is highly qualified and the parents, along with the community support education.

Revere Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

As stewards of public dollars, the School District's fiscal policy continues to be that of doing more with less by finding creative ways to reduce or contain costs. We have worked to address all expenditures within our control. Some of the key steps taken in this regard include the formation of a health care consortium, implementing a severance incentive plan designed to reduce salary costs, utilization of stimulus money to improve instructional capacity, applying technology to reduce operating costs, increasing participation in buying consortiums and exploring opportunities to apply the concept of shared services which we've done successfully with technology.

Since fiscal year 2011 the Board has worked to address the growth of salaries since staffing related costs including benefits is the single largest component of the General Fund budget. For fiscal year 2014 salaries and benefits were 78.60 percent of the budget. Salaries from fiscal year 2011 through fiscal year 2014 ranged from \$19,003,000 to \$18,819,000 and have remained for all practical purposes flat. It is also important to note that salaries and benefits as a percentage of the overall budget have fallen over the last 10 years and are below the average for the State. The School District has successfully addressed salary related costs through its hiring practices, the introduction of a severance incentive program, through union negotiations and by taking advantage of the changes to the State's retirement system which has incentivized tenured teachers to resign.

Under the longstanding funding model in the State of Ohio, the Revere Local School District has been penalized based on high, local property values. We have traditionally been defined as a "zero percent" State share district and received State funding on a reduced basis under a formula involving what is called The Funding Guarantee instead of being funded on a per pupil basis. The payment under the funding guarantee was capped, a fixed amount and was put in place to prevent a total loss of funding based on property values which is a key component of the funding formula. Under the funding formula, property values are divided by student enrollment which results in a valuation figure on a per pupil basis. The School District's valuation per pupil is significantly above the State average and this drives the term "High Wealth District." The assessed property values for calendar year 2013 taxes payable in calendar 2014 were \$910,406,750.

The governor initiated a study panel to determine the best methodology under which k-12 public education should be funded. Through this process the elimination of the guarantee continues to be examined and could result in a loss to the School District of up to \$2.4 million in revenue.

Of significant impact to the Revere Local School District was the loss of the public utility tax hold harmless payments and the reduction of the tangible property tax hold harmless payments. In the way of review, the State modified its tax structure to encourage business investment in Ohio. Initially, with the changes to the tax base structure, important sources of revenue were eliminated and there was an agreement by the legislature to put in place a hold harmless reimbursement structure for public schools. Subsequently with the elimination of the majority of the hold harmless payments, under the public utility payments the School District lost \$445,000 per year in revenue and under the tangible property tax the School District lost \$1.177 million per year in revenue.

Revere Local School District
Summit County, Ohio
Management's Discussion and Analysis
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(Unaudited)

The School District continues to receive support from the residents of the School District through local property taxes. As the preceding information describes, the School District relies heavily on its local taxpayers. In reviewing the School District's ballot activity over the past ten years, new money was passed by the residents of the School District in August 2001. This levy was in the amount of 6.9 mills, for a fixed term, under a five year emergency levy. That levy generates \$4.6 million annually. As an emergency levy, the annual collection remains flat and does not grow as new value is added through new construction. This emergency levy was then placed on the ballot in November of 2005 for renewal and was approved overwhelmingly at that time. It was again put up for renewal in February of 2011 and again supported by the community. The renewal of this levy, with no new taxes, will again be before the voters in calendar year 2015 or calendar year 2016.

Based upon the five year budget forecasting tool, over the last several years the School District had identified the need for new money and weighed that need against the fact that the school system had not gone back to the community with a request for new operating money for ten years. Driving this request was the loss of the hold harmless payments noted above, reductions in State funding, slowed growth and reduction in property tax values, the possible expansion of vouchers including programs for special needs students and inflationary growth impacting the annual budget. The School District was therefore on the ballot for a 10 year emergency levy with a collection in the amount of \$4.76 million annually. This levy equated to 4.83 mills and was supported by our voters after 3 attempts in May 2011.

As noted above, the School District has been able to stretch out its levy cycle, the time span between requests for new money, to over ten years which is unprecedented based upon the school funding model in Ohio. This was accomplished through effective fiscal management as well as continuous growth in the School District's property tax base. The stated goal of the Board of Education is to stretch the levy cycle; the time elapsed between requests for new money, as long as possible.

In the 2012-2013 school year, all-day kindergarten was implemented with 4 classes on a full day schedule. Under the current governor, all-day kindergarten is not required but remains a local decision. This pendulum, regarding all-day kindergarten, has swung back and forth depending upon the party in office. The option of all-day kindergarten continued to grow in enrollment in 2013-2014.

Ohio as with the majority of the United States experienced a drop in real estate values which has occurred state wide. Until the calendar year 2011 Triennial update appraisal, for Summit County, the School District has bucked the downward trend in property values. However, with the 2011 Triennial update our local property values dropped by \$77.6 million or 7.9 percent with a loss in collections of \$442,000 per year. It is anticipated that values will continue to drop as a result of the full re-appraisal in calendar year 2014.

With House Bill 920 (passed in 1976) current levies do not provide inflationary revenue growth as valuation increases, with the exception of the un-voted, inside millage. New construction does represent new value and new revenue, as those properties come onto the tax duplicate. As an example of HB 920, a homeowner with a home valued at \$100,000 with an assessed value of \$35,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and the home's market value increased to \$200,000 with an assessed value of \$70,000 (assuming this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Revere Local School District
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(Unaudited)

As a School District heavily dependent upon property taxes and related growth trends, we are hampered by a lack of revenue growth yet faced with annual increases in costs that cannot be entirely controlled (health care, utilities, instructional supplies, upkeep of facilities and fuel costs). Property taxes made up 78.53 percent of cash basis revenues for the general fund fiscal year 2014. Within the frame work of both short range and long range planning, management has diligently worked to control expenses and reduce costs where possible.

The School District also collaborated with four other schools to form a health care consortium to control medical costs and implemented an aggressive wellness plan aimed at decreasing medical utilization. With these efforts we will be able to extend the period of time before which a new operating levy is placed on the ballot subsequent to the 2011 approval. The ability to control costs is made increasingly difficult with mandates in gifted education, testing, curriculum changes, rising utility costs, increased special education services required for our students, national health care trends and the unfunded mandates which continue to grow.

The reader of the School District's financial reports saw a increase in both revenues and expenditures in fiscal year 2013 of approximately \$3.8 million for the general fund. This transaction was created through an inter-fund transfer and reimbursement. As seen in fiscal year 2014, revenues and expenditures returned to more normal trend levels.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March of 1997 and in three subsequent rulings to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." Although some recent changes have been made in school funding it is still being asked whether or not the State has met the directives mandated by the Ohio Supreme Court. The number of school systems which must go on the ballot as their sole means of increasing revenue grows each year which is symptomatic of the root problems in school funding in Ohio.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the upcoming years. Decisions cannot be made by looking only at the impact to the current years financial forecast but must be projected forward on a long term basis to fully understand the impact and feasibility of current fiscal strategies.

The School District is fortunate that its systems of budgeting and internal controls are well regarded and embraced by the Board of Education, its administrative team and staff. All of the School District's financial abilities and resources will be needed to meet the challenges of the future for the benefit of our students.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Forrest, Treasurer of Revere Local School District, P.O. Box 340, Bath, OH 44210 or dforrest@revereschools.org.

Revere Local School District
Summit County, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 24,362,122
Cash and Cash Equivalents with Fiscal Agent	11,761
Cash and Cash Equivalents with Trustee	215,051
Receivables:	
Accrued Interest	24,146
Accounts	6,000
Intergovernmental	336,257
Property Taxes	29,778,458
Nondepreciable Capital Assets	1,001,740
Depreciable Capital Assets (Net)	13,293,209
<i>Total Assets</i>	69,028,744
Liabilities	
Accounts Payable	405,689
Accrued Wages and Benefits	2,782,698
Intergovernmental Payable	771,443
Accrued Vacation Leave Payable	84,678
Matured Compensated Absences Payable	188,724
Accrued Interest Payable	19,845
Matured Interest Payable	1,761
Matured Bonds Payable	10,000
Claims Payable	4,261
Long Term Liabilities:	
Due Within One Year	1,452,632
Due In More Than One Year	7,778,184
<i>Total Liabilities</i>	13,499,915
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	24,736,664
Net Position	
Net Investment in Capital Assets	10,384,949
Restricted For:	
Capital Outlay	4,370,822
Debt Service	973,198
Other Purposes	117,689
Unrestricted	14,945,507
<i>Total Net Position</i>	\$ 30,792,165

See accompanying notes to the basic financial statements.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 15,319,018	\$ 606,768	\$ 33,844	\$ 0	\$ (14,678,406)
Special	3,443,445	70,056	74,554	0	(3,298,835)
Vocational	305,426	0	0	0	(305,426)
Student Intervention Services	191,010	0	223,747	0	32,737
Other	411,214	0	0	0	(411,214)
Support Services:					
Pupils	1,980,863	0	378,095	0	(1,602,768)
Instructional Staff	1,052,091	0	43,328	0	(1,008,763)
Board of Education	273,281	0	0	0	(273,281)
Administration	2,217,360	0	53,253	0	(2,164,107)
Fiscal	1,475,932	0	0	0	(1,475,932)
Business	66,776	0	0	0	(66,776)
Operation and Maintenance of Plant	3,468,822	0	7,789	0	(3,461,033)
Pupil Transportation	2,442,700	0	0	0	(2,442,700)
Central	324,098	0	0	0	(324,098)
Operation of Non-Instructional Services:					
Food Service Operations	836,723	624,636	112,887	0	(99,200)
Community Services	333,940	0	333,724	0	(216)
Extracurricular Activities	1,359,775	382,468	51,043	15,000	(911,264)
Debt Service:					
Interest and Fiscal Charges	124,358	0	0	0	(124,358)
Issuance Costs	47,000	0	0	0	(47,000)
Total	<u>\$ 35,673,832</u>	<u>\$ 1,683,928</u>	<u>\$ 1,312,264</u>	<u>\$ 15,000</u>	<u>(32,662,640)</u>

General Revenues

Property Taxes Levied for:

General Purposes	28,894,708
Debt Service	1,350,947
Capital Outlay	1,303,765
Grants and Entitlements Not Restricted to Specific Programs	6,905,661
Investment Earnings	44,901
Miscellaneous	77,285
Total General Revenues	<u>38,577,267</u>

Change in Net Position

5,914,627

Net Position Beginning of Year - Restated, See Note 3-A

24,877,538

Net Position End of Year

\$ 30,792,165

See accompanying notes to the basic financial statements.

Revere Local School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 18,737,877	\$ 5,485,902	\$ 24,223,779
Cash and Cash Equivalents with Fiscal Agent	0	11,761	11,761
Cash and Cash Equivalents with Trustee	215,051	0	215,051
Receivables:			
Accrued Interest	24,146	0	24,146
Accounts	6,000	0	6,000
Interfund	23,500	0	23,500
Intergovernmental	189,299	146,958	336,257
Property Taxes	27,306,297	2,472,161	29,778,458
<i>Total Assets</i>	<u>\$ 46,502,170</u>	<u>\$ 8,116,782</u>	<u>\$ 54,618,952</u>
Liabilities			
Accounts Payable	\$ 330,777	\$ 74,912	\$ 405,689
Accrued Wages and Benefits	2,737,385	45,313	2,782,698
Intergovernmental Payable	744,808	26,635	771,443
Matured Compensated Absences Payable	188,724	0	188,724
Matured Interest Payable	0	1,761	1,761
Matured Bonds Payable	0	10,000	10,000
Interfund Payable	0	17,000	17,000
<i>Total Liabilities</i>	<u>4,001,694</u>	<u>175,621</u>	<u>4,177,315</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	22,699,287	2,037,377	24,736,664
Unavailable Revenue	486,099	126,316	612,415
<i>Total Deferred Inflows of Resources</i>	<u>23,185,386</u>	<u>2,163,693</u>	<u>25,349,079</u>
Fund Balances			
Restricted	215,051	5,764,083	5,979,134
Committed	0	56,638	56,638
Assigned	904,497	0	904,497
Unassigned	18,195,542	(43,253)	18,152,289
<i>Total Fund Balances</i>	<u>19,315,090</u>	<u>5,777,468</u>	<u>25,092,558</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 46,502,170</u>	<u>\$ 8,116,782</u>	<u>\$ 54,618,952</u>

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances		\$ 25,092,558
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,294,949
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 80,492	
Property Taxes	<u>531,923</u>	612,415
 An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		 127,582
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		 (19,845)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Energy Conservation Improvement Bonds	(3,225,768)	
General Obligation Bonds	(3,910,000)	
Vacations Payable	(84,678)	
Compensated Absences	<u>(2,095,048)</u>	<u>(9,315,494)</u>
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ 30,792,165</u></u>

See accompanying notes to the basic financial statements.

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 29,696,113	\$ 2,727,971	\$ 32,424,084
Intergovernmental	6,424,162	1,800,379	8,224,541
Investment Income	44,901	625	45,526
Tuition and Fees	552,982	0	552,982
Extracurricular Activities	103,513	264,872	368,385
Rentals	123,839	0	123,839
Charges for Services	0	624,637	624,637
Contributions and Donations	43,135	32,908	76,043
Miscellaneous	25,728	16,650	42,378
<i>Total Revenues</i>	<u>37,014,373</u>	<u>5,468,042</u>	<u>42,482,415</u>
Expenditures			
Current:			
Instruction:			
Regular	14,586,978	144,467	14,731,445
Special	3,242,305	74,890	3,317,195
Vocational	303,966	0	303,966
Student Intervention Services	89,790	210,116	299,906
Other	411,214	9,073	420,287
Support Services:			
Pupils	1,625,085	391,267	2,016,352
Instructional Staff	934,600	48,207	982,807
Board of Education	273,281	0	273,281
Administration	2,208,241	50,000	2,258,241
Fiscal	1,397,272	72,955	1,470,227
Business	66,776	0	66,776
Operation and Maintenance of Plant	3,063,294	293,340	3,356,634
Pupil Transportation	2,138,642	237,750	2,376,392
Central	327,185	0	327,185
Extracurricular Activities	987,161	368,811	1,355,972
Operation of Non-Instructional Services:			
Food Service Operations	0	818,479	818,479
Community Services	0	333,940	333,940
Capital Outlay	49,748	10,000	59,748
Debt Service:			
Principal Retirement	0	599,880	599,880
Interest and Fiscal Charges	82,902	732,652	815,554
Issuance Costs	0	47,000	47,000
<i>Total Expenditures</i>	<u>31,788,440</u>	<u>4,442,827</u>	<u>36,231,267</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,225,933</u>	<u>1,025,215</u>	<u>6,251,148</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	37	0	37
Proceeds of Refunding Bonds	0	3,910,000	3,910,000
Premium on Debt Issuance	0	51,557	51,557
Payment to Refunded Bond Escrow Agent	0	(4,012,637)	(4,012,637)
Transfers In	0	282,185	282,185
Transfers Out	(282,185)	0	(282,185)
<i>Total Other Financing Sources (Uses)</i>	<u>(282,148)</u>	<u>231,105</u>	<u>(51,043)</u>
<i>Net Change in Fund Balance</i>	4,943,785	1,256,320	6,200,105
<i>Fund Balances Beginning of Year</i>	<u>14,371,305</u>	<u>4,521,148</u>	<u>18,892,453</u>
<i>Fund Balances End of Year</i>	<u>\$ 19,315,090</u>	<u>\$ 5,777,468</u>	<u>\$ 25,092,558</u>

See accompanying notes to the basic financial statements.

Revere Local School District
Summit County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$	6,200,105
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*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital additions in the current period.		
Capital Asset Additions	\$ 383,590	
Current Year Depreciation	<u>(1,025,025)</u>	(641,435)
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.		(117,832)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(874,664)	
Intergovernmental	<u>(70,849)</u>	(945,513)
Issuance of refunding bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net position as long-term liabilities.		
Payments to Refunding Bond Escrow Agent*	3,910,000	
Proceeds of Refunding Bonds	(3,910,000)	
Balance of Unamortized Premium on Refunded Bonds	<u>216,708</u>	216,708
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Capital Appreciation Bonds	599,880	
Accretion on Capital Appreciation bonds	<u>600,120</u>	1,200,000
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable		17,893
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(34,798)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	65,700	
Accrued Vacation Payable	<u>(5,314)</u>	60,386
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		<u>(40,887)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>5,914,627</u>

* The School District used \$102,637 of resources on hand that were paid to the Bond Escrow Agent.

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

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 26,291,214	\$ 26,765,613	\$ 26,770,951	\$ 5,338
Intergovernmental	6,110,685	6,220,946	6,222,187	1,241
Investment Income	48,493	49,368	49,378	10
Tuition and Fees	426,139	433,828	433,915	87
Extracurricular Activities	10,497	10,687	10,689	2
Rentals	121,620	123,814	123,839	25
Miscellaneous	72,244	73,547	73,561	14
Total Revenues	33,080,892	33,677,803	33,684,520	6,717
Expenditures				
Current:				
Instruction:				
Regular	15,163,487	15,163,487	14,685,573	477,914
Special	3,202,757	3,202,757	3,101,814	100,943
Vocational	314,098	314,098	304,198	9,900
Student Intervention Services	93,022	93,022	90,090	2,932
Other	699,971	699,971	677,910	22,061
Support Services:				
Pupils	1,657,168	1,657,168	1,604,938	52,230
Instructional Staff	1,010,823	1,010,823	978,964	31,859
Board of Education	494,614	494,614	479,025	15,589
Administration	2,273,756	2,273,756	2,202,093	71,663
Fiscal	1,454,454	1,454,454	1,408,613	45,841
Business	101,496	101,496	98,297	3,199
Operation and Maintenance of Plant	3,518,641	3,518,641	3,407,742	110,899
Pupil Transportation	2,336,041	2,336,041	2,262,415	73,626
Central	334,112	334,112	323,582	10,530
Extracurricular Activities	901,811	901,811	873,388	28,423
Operation of Non-Instructional Services:				
Capital Outlay	51,367	51,367	49,748	1,619
Debt Service:				
Interest and Fiscal Charges	85,600	85,600	82,902	2,698
Total Expenditures	33,693,218	33,693,218	32,631,292	1,061,926
Excess of Revenues Over (Under) Expenditures	(612,326)	(15,415)	1,053,228	1,068,643
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	37	37	37	0
Refund of Prior Year Expenditures	170,045	170,045	170,045	0
Advances In	202,557	202,557	202,557	0
Advances Out	(223,500)	(223,500)	(223,500)	0
Transfers Out	(200,000)	(200,000)	(200,000)	0
Total Other Financing Sources (Uses)	(50,861)	(50,861)	(50,861)	0
Net Change in Fund Balance	(663,187)	(66,276)	1,002,367	1,068,643
Fund Balance Beginning of Year	15,542,281	15,542,281	15,542,281	0
Prior Year Encumbrances Appropriated	940,315	940,315	940,315	0
Fund Balance End of Year	\$ 15,819,409	\$ 16,416,320	\$ 17,484,963	\$ 1,068,643

See accompanying notes to the basic financial statements.

Revere Local School District
Summit County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2014

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 138,343
Liabilities	
<i>Current Liabilities</i>	
Interfund Payable	6,500
Claims Payable	4,261
<i>Total Liabilities</i>	10,761
Net Position	
Unrestricted	\$ 127,582

See accompanying notes to the basic financial statements.

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

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 23,582
Operating Expenses	
Purchased Services	20,434
Claims	26,065
Other	11,881
<i>Total Operating Expenses</i>	58,380
<i>Operating Loss</i>	(34,798)
<i>Net Position Beginning of Year</i>	162,380
<i>Net Position End of Year</i>	\$ 127,582

See accompanying notes to the basic financial statements.

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

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 23,582
Cash Paid for Goods and Services	(20,434)
Cash Paid for Claims	(25,565)
Other Cash Payments	(11,881)
<i>Net Cash Used For Operating Activities</i>	<u>(34,298)</u>
 Cash Flows From Non-Capital Financing Activities	
Advances from Other Funds	<u>6,500</u>
 <i>Net Decrease in Cash and Cash Equivalents</i>	(27,798)
 <i>Cash and Cash Equivalents, Beginning of Year</i>	<u>166,141</u>
 <i>Cash and Cash Equivalents, End of Year</i>	<u><u>\$ 138,343</u></u>
 Reconciliation of Operating Loss to Net Cash Used For Operating Activities	
Operating Loss	\$ (34,798)
Increase in Liabilities:	
Claims Payable	<u>500</u>
 <i>Net Cash Used For Operating Activities</i>	<u><u>\$ (34,298)</u></u>

See accompanying notes to the basic financial statements.

Revere Local School District
Summit County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 17,162	\$ 126,131
Liabilities		
Accounts Payable	0	\$ 7,803
Undistributed Monies	0	24,890
Due to Students	0	93,438
<i>Total Liabilities</i>	0	\$ 126,131
Net Position		
Held in Trust for Scholarships	\$ 17,162	

See accompanying notes to the basic financial statements.

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

	Private Purpose Trust
Additions	
Investment Earnings	\$ 12
 <i>Change in Net Position</i>	 12
 <i>Net Position Beginning of Year</i>	 17,150
 <i>Net Position End of Year</i>	 \$ 17,162

See accompanying notes to the basic financial statements.

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

Note 1 – Description of the School District

The Revere Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District is located in Summit County and encompasses the Village of Richfield, Richfield Township, and Bath Township. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by State and Federal agencies. The Board controls the School District's four instructional/support facilities that provide services to community members and students.

Reporting Entity

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

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

The following activities are included within the reporting entity:

Nonpublic School - Within the School District boundaries, Old Trail School is operated as a nonpublic school. Current State legislation provides funding to this school. This money is received and disbursed on behalf of the school by the Treasurer of the School District, as directed by the school. The activity of this State money is reflected in a special revenue fund by the School District for financial reporting purposes.

The School District is associated with the Northeast Ohio Network for Educational Technology, the Cuyahoga Valley Career Center and the Ohio Schools Council, which are defined as jointly governed organizations. See Note 16.

The School District participates in another jointly governed organization, the Summit Regional Health Care Consortium ("SRHCC"). This organization is presented in Note 9 to the basic financial statements.

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

Note 2 - Summary of Significant Accounting Policies

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

The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

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

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

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following is the School District's only proprietary fund type:

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

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 therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trust funds and agency funds. The private purpose trust funds account for scholarships and the School District's agency funds account for student advance placement testing and student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

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

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Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities. Private-purpose trust funds are reported using the economic resources management 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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows, and in the presentation of expenses versus expenditures.

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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 food service operations. 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.

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

E. Pooled Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. 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."

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the Financial Statements as "Cash and Cash Equivalents with Fiscal Agent."

The School District is also setting aside monies in a Sinking Fund investment account with Huntington Bank that will be used to fund the scheduled balloon payment on their 2011 Energy Conservation Improvement Bonds described in Note 13. These amounts are reported on the financial statements as "Cash and Cash Equivalents with Trustee."

During fiscal year 2014, investments were limited to repurchase agreements and STAR Ohio, (the State Treasurer's Investment Pool).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$44,901 which includes \$8,198 assigned from other School District funds.

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F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 50 Years
Buildings and Improvements	25 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 20 Years

H. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

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I. Accrued Liabilities and Long-term Obligations

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

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

J. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes are primarily for instruction of students.

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

K. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, 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 the governmental funds. The classifications are as follows:

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

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.

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

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

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

The School District applies restricted resources first when expenditures are incurred for purposes 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.

L. Operating Revenues and Expenses

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

M. Interfund Activity

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

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.

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N. Extraordinary and Special Items

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

O. 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.

P. Budgetary Data

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 alternative tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014.

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Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are included as an assignment of fund balance, for the general fund only, for the intended use of previously unassigned funds.

Lapsing of Appropriations 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 need not be re-appropriated.

Note 3 – Accountability

A. Implementation of New Accounting Principles

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

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of GASB Statement No. 65 resulted in debt issuance costs being expensed rather than being deferred. This had the following effect on net position as previously reported:

	Governmental Activities
Previously Reported Net Position	\$ 25,051,286
Unamortized Debt Issuance Costs	(173,748)
Restated Net Position, June 30, 2013	\$ 24,877,538

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

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

B. Deficit Fund Balance

Fund balances at June 30, 2014 included a fund deficit of \$42,946 in the food service fund and \$307 in the Title II D Fund.

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

Note 4 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/net position on the basis of generally accepted accounting principles (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, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
4. In order to determine compliance with Ohio law, and to assign that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure.
5. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

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Net Change in Fund Balance

	General
GAAP Basis	\$ 4,943,785
Net Adjustment for Revenue Accruals	(2,712,210)
Net Adjustment for Expenditure Accruals	(234,077)
Adjustment for Encumbrances	(1,062,512)
Funds Budgeted Elsewhere**	67,381
Budget Basis	\$ 1,002,367

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

Note 5 – 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.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

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

Custodial credit risk for deposits 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 percent of the total value of uninsured 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.

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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. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's investment in repurchase agreement is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. 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.

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$9,340,311 and the bank balance was \$9,361,959. Additionally, \$11,761 was held by a fiscal agent for a coupon bond and \$215,051 held by a trustee for future bond payments.

Of the bank balance, \$7,799,833 was covered by depository insurance and \$1,562,126 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

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

<u>Rating by Standard & Poors</u>	<u>Entity</u>	<u>Fair Value</u>	<u>Investment Maturities in months (0-6)</u>	<u>Percentage of Total Investment</u>
N/A	Repurchase Agreement	\$ 15,165,000	\$ 15,165,000	100.00%
AAAm	STAR Ohio	104	104	0.00%
		<u>\$ 15,165,104</u>	<u>\$ 15,165,104</u>	<u>100.00%</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2014, is 51 days.

Credit Risk: The School District's investments at June 30, 2014 in STAR Ohio is rated AAAm by Standard & Poor's. The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were rated Aaa by Moody's Investor Services.

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Concentration of Credit Risk: The School District places no limit on the amount the School District may invest in any one issuer. Investments of the School District are diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity; a specific issue or a specific class of securities, strategies to achieve this are determined and revised periodically.

Note 6 - Property Taxes

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

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

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

The School District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$4,120,911 in the general fund, \$196,081 in the debt service fund, and \$192,879 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013, was \$1,195,749 in the general fund, \$57,145 in the bond retirement debt service fund, and \$53,451 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 891,325,740	97.90%	\$ 889,479,930	97.70%
Public Utility Personal Property	19,139,980	2.10%	20,926,820	2.30%
Total	<u>\$ 910,465,720</u>	<u>100.00%</u>	<u>\$ 910,406,750</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 <u>\$ 63.26</u>		 <u>\$ 63.13</u>	

Note 7 - Receivables

Receivables at June 30, 2014, consisted of property taxes, accrued interest, interfund, accounts and intergovernmental grants. 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.

Note 8 – Capital Assets

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

	Balance 6/30/2013	Additions	Reductions	Balance 6/30/2014
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 1,001,740	\$ 0	\$ 0	\$ 1,001,740
Total Capital Assets Not Being Depreciated	1,001,740	0	0	1,001,740
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	4,006,062	0	0	4,006,062
Buildings and Improvements	25,821,046	0	0	25,821,046
Furniture and Equipment	4,144,791	152,590	(27,639)	4,269,742
Vehicles	2,894,418	231,000	(332,491)	2,792,927
Total Capital Assets, Being Depreciated	36,866,317	383,590	(360,130)	36,889,777
Less Accumulated Depreciation:				
Land Improvements	(1,637,598)	(165,396)	0	(1,802,994)
Buildings and Improvements	(15,496,805)	(613,197)	26,257	(16,083,745)
Furniture and Equipment	(3,875,545)	(83,177)	216,041	(3,742,681)
Vehicles	(1,803,893)	(163,255)	0	(1,967,148)
Total Accumulated Depreciation	<u>(22,813,841)</u>	<u>(1,025,025)</u>	<u>242,298</u>	<u>(23,596,568)</u>
Total Capital Assets Being Depreciated, Net	<u>14,052,476</u>	<u>(641,435)</u>	<u>(117,832)</u>	<u>13,293,209</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,054,216</u>	<u>\$ (641,435)</u>	<u>\$ (117,832)</u>	<u>\$ 14,294,949</u>

Revere Local School District
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 648,057
Special	298
Support Services:	
Instructional	73,549
Operation and Maintenance of Plant	123,862
Pupil Transportation	163,760
Food Service	13,087
Extracurricular Activities	2,412
Total Depreciation	\$ 1,025,025

Note 9 – Risk Management

A. Property and Liability

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. These risks are covered by commercial insurance purchased from independent third parties. For the 12 month period beginning August 1, 2013, the School District contracted with a private insurance company for commercial property insurance and boiler and machinery coverage (\$83,760,748 blanket combined building and personal property, \$5,000 deductible), for commercial auto coverage (\$1,000,000 combined single limit for bodily injury and property damage with a \$8,000,000 umbrella, \$500 comprehensive/\$500 collision deductible for vehicles, \$1,000 comprehensive/\$1,000 collision deductible for buses). Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant decrease in insurance coverage from the prior year.

B. Workers' Compensation

The School District pays the State Workers' Compensation system a premium based on a rate of \$0.589 per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

C. Employee Vision Benefits

Vision coverage is provided on a self-insured basis. The School District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

The claims liability of \$4,261 reported in the internal service fund at June 30, 2014, is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

The School District joined the Summit Regional Health Care Consortium for health and dental insurance as of July 1, 2010. The School District remains self-insured for vision insurance only.

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For the Fiscal Year Ended June 30, 2014

Changes in the fund's claims liability amount in 2014 and 2013 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2013	\$ 3,965	\$ 22,361	\$ 22,565	\$ 3,761
2014	\$ 3,761	\$ 26,065	\$ 25,565	\$ 4,261

D. Health Insurance

On July 1, 2010, the School District became a participant in the Summit Regional Health Care Consortium (“SRHCC”) for the purpose of obtaining benefits at a reduced premium for health and dental care. The program for health care is administered by Anthem Blue Cross and Blue Shield. Payments are made to the SRHCC for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal officer of the SRHCC is the Treasurer of the Copley Fairlawn City Schools. The fiscal agent pays Anthem monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

Note 10 - Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$682,293, \$591,069 and \$561,018 respectively; 71 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

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B. State Teachers Retirement System

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

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

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

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

The School District’s required contributions for pension obligations to STRS Ohio for the DB plan for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,128,987, \$1,926,371 and \$1,911,371, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$126,492 made by the School District and \$99,386 made by the plan members.

C. Social Security System

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

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Notes to the Basic Financial Statements
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Note 11 - Postemployment Benefits

A. School Employees Retirement System

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

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

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$70,299, \$70,955, and \$88,921, respectively; 71 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$37,039, \$33,389, and \$33,301, respectively; 71 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$152,071, \$148,182, and \$147,029, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Note 12 – Other Employee Benefits

A. Life Insurance

The School District provides life insurance to employees through the Ohio Schools Council, Anthem, in the amount of \$100,000 for administrators, twice the salary for the treasurer and superintendent capped at \$300,000, \$50,000 for all classified employees and \$35,000 for teachers.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees, and administrators who are contracted to work no less than 12 months, earn 10 to 25 days of vacation per year depending upon length of service. Employees with 15 years of service or more may carry over 5 unused vacation days with written approval. Teachers and administrators who work less than 12 months do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 295 days for certificated and classified employees. Upon retirement, School District employees receive one-fourth of total unused sick leave, up to the maximum, based on the number of credited service years.

C. Special Termination Benefits

Employees meeting the retirement requirements included in negotiated agreements, and the provisions of the retirement systems, receive a salary incentive when they retire from active service. Those employees eligible to retire received \$10,000 for certified staff and \$7,000 for support staff in the first year of eligibility and \$4,000 for certificated and \$3,000 for support staff in any other year. For classified employee who retire in the first year of eligibility, the amounts are \$7,000 for 12 month employees and \$3,500 for 9 month employees.

Revere Local School District
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Notes to the Basic Financial Statements
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Note 13 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 6/30/2013	Additions	Reductions	Outstanding 6/30/2014	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Energy Conservation Improvement Bonds, Series 2011	\$ 3,225,768	\$ 0	\$ 0	\$ 3,225,768	\$ 0
2003 Bond Refunding 2.00% - 5.25%	3,910,000	0	3,910,000	0	0
2003 Capital Appreciation Bonds	599,880	0	599,880	0	0
Accretion on Capital Appreciation Bonds	559,233	40,887	600,120	0	0
Unamortized Bond Premium	216,708	0	216,708	0	0
2013 Bond Refunding 1.85%	0	3,910,000	0	3,910,000	1,270,000
Total General Obligation Bonds	8,511,589	3,950,887	5,326,708	7,135,768	1,270,000
Compensated Absences	2,160,748	441,742	507,442	2,095,048	182,632
Total Governmental Activities Long-Term Liabilities	<u>\$ 10,672,337</u>	<u>\$ 4,392,629</u>	<u>\$ 5,834,150</u>	<u>\$ 9,230,816</u>	<u>\$ 1,452,632</u>

2003 General Obligation Bond Refunding

In 2003, the School District issued \$13,084,880 in bonds for the advance refunding of the remaining callable 1993 school improvement bonds. This bond was refinanced during fiscal year 2014.

The 2003 general obligation bonds include serial and capital appreciation bonds. The additions were \$40,887 which represents the annual accretion of discounted interest. The final amount of the capital appreciation bonds was \$1,200,000, which matured during fiscal year 2014.

2013 General Obligation Bond Refunding

In September 2013 the School District issued \$3,910,000 in refunded general obligation bonds. The proceeds of the bonds were used to refund \$3,910,000 of the School District's remaining callable 2003 school improvement bonds. The bonds were issued for a 3 year period with final maturity at December 1, 2016. At the date of the refunding, \$4,012,637 was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of June 30, 2014, \$3,910,000 of these bonds are considered defeased.

These refunding bonds were issued with a premium of \$51,557, which was recorded as revenue. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$259,523. The issuance resulted in an economic gain of \$254,446.

General obligation bonds are direct obligations of the School District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the School District.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from various governmental funds, primarily the general and food service funds.

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

Fiscal Year Ending June 30,	General Obligation	
	Principal	Interest
2015	\$ 1,270,000	\$ 72,335
2016	1,300,000	48,840
2017	1,340,000	24,790
	\$3,910,000	\$ 145,965

2011 Energy Conservation Improvement Bonds

In fiscal year 2012, the School District issued \$3,225,768 in federally taxable, Qualified School Construction Bonds for the purpose of energy conservation improvements to district buildings. The bonds were issued as all Current Interest Sinking Fund Bonds and will mature in the principal amount on December 1, 2026 and bear an interest rate of 5.14 percent. The bonds are subject to Mandatory Sinking Fund Requirements each year on December 1, 2012 through 2025 in the amount of \$215,051. The 2014 payment to the sinking fund was made after the June 30, 2014 fiscal year end.

The Bonds maturing on and after December 1, 2022 are subject to prior redemption by and at the sole option of the School District, in whole or in part, on or after December 1, 2021, at a redemption price of 100 percent of the principal amount redeemed plus interest accrued to the redemption date.

The Bonds shall be subject to extraordinary optional redemption, by and at the sole option of the School District, in whole or in part on any date at a redemption price of 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, in the event that the direct payments cease or are reduced.

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

Fiscal Year Ending June 30,	2011 QSCB Bond	
	Principal	Interest
2015	\$ 0	\$ 165,804
2016	0	165,804
2017	0	165,804
2018	0	165,804
2019	0	165,804
2020-2024	0	829,024
2025-2027	3,225,768	414,514
	\$ 3,225,768	\$ 2,072,558

Revere Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
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Note 14 – Operating Lease

The School District (the “Lessee”) has entered into an operating lease for a five year period commencing on February 15, 2012. The lease is with MT Business Technologies (the “Lessor”) for 18 copiers. Current year lease payments were \$64,488. The cost of the copiers should be recognized on the straight-line basis over the term of the lease because no economic justification can be offered for the lease payments. The lease term will extend automatically for a successive 12 month term unless prior written notification is provided 90 days before the termination date. The following is a schedule of future long-term minimum lease payments required under the lease as of June 30, 2014:

Fiscal year ending June 30,	2015	63,663
	2016	63,663
	2017	<u>36,008</u>
Total lease payments		<u>\$ 163,334</u>

Note 15 - Interfund

A. Interfund Transfers

Transfers made during fiscal year 2014 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 282,185
Nonmajor Governmental Funds	<u>282,185</u>	<u>0</u>
Total	<u>\$ 282,185</u>	<u>\$ 282,185</u>

These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

B. Interfund Receivable/Payable

Interfund receivable/payables at June 30, 2014 consisted of the following:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 23,500	\$ 0
Nonmajor Governmental Funds	0	17,000
Internal Service Fund	<u>0</u>	<u>6,500</u>
Total	<u>\$ 23,500</u>	<u>\$ 23,500</u>

Revere Local School District
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All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2014, all interfund loans outstanding are anticipated to be repaid in fiscal year 2015.

Note 16 - Jointly Governed Organizations

A. Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEOnet) is a jointly governed organization comprised of 27 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEOnet based on a per pupil charge dependent upon the software package utilized. The NEOnet assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEOnet is governed by a board of directors chosen from the general membership of the NEOnet assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 700 Graham Road, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2014, the School District paid \$174,015 to NEOnet for basic service charges.

B. Cuyahoga Valley Career Center (Career Center)

The Cuyahoga Valley Career Center (Career Center), a joint vocational school, is a jointly governed organization operated under a nine member Board of Directors, consisting of one representative from each participating school district. The Board controls the financial activity of the Career Center. The Career Center receives no direct funding from the member school districts. The continued existence of the Career Center is not dependent on the School District's continued participation and no equity interest exists. Financial information can be obtained by writing to the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

C. Ohio Schools Council (Council)

The Ohio Schools Council (Council) is a jointly governed organization among 199 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. The Council sponsors an insurance purchasing plan in which the School District participates. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting Ohio Schools Council, Rockside Square, Building 2, 6133 Rockside Road, Independence, Ohio 44131.

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

Note 17 – Contingencies and Significant Commitments

A. Grants

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

B. Litigation

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

C. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$725,813 in the general fund and \$871,817 in the non-major governmental funds.

Note 18 - Set-Asides

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

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

	Capital Improvement Reserve
Set-Aside Restricted Balance as of June 30, 2013	\$ 0
Current Year Set-Aside Requirement	447,328
Current Year Offsets	(1,292,673)
Qualifying disbursements	(809,157)
Total	\$ (1,654,502)
Balance Carried Forward to Fiscal Year 2015	\$ 0
Set-Aside Reserve Balance June 30, 2014	\$ 0

For the capital improvement reserve, qualifying expenditures and current year offsets exceeding the set aside requirement may not be carried forward to the next fiscal year.

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

Note 19 – Fund Balance

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

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

	General	Other Governmental Funds	Total
Restricted for:			
Debt Service	\$ 0	\$ 956,129	\$ 956,129
Capital Outlay	0	4,649,616	4,649,616
Other Purposes	215,051	158,338	373,389
Total Restricted	215,051	5,764,083	5,979,134
Committed to:			
Other Purposes	0	56,638	56,638
Total Committed	0	56,638	56,638
Assigned for:			
Encumbrances:			
Instruction	111,562	0	111,562
Support Services	610,983	0	610,983
Extracurricular	3,268	0	3,268
Other Purposes	178,684	0	178,684
Total Assigned	904,497	0	904,497
Unassigned (Deficit)	18,195,542	(43,253)	18,152,289
Total Fund Balance (Deficit)	\$ 19,315,090	\$ 5,777,468	\$ 25,092,558

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**REVERE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pas-through Grant Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Cash Assistance:						
National School Lunch Program	10.555	102595-3L60-2014	\$113,197	\$ 49,168	\$ 113,197	\$ 49,168
Total U.S. Department of Agriculture			<u>113,197</u>	<u>49,168</u>	<u>113,197</u>	<u>49,168</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I, Part A Cluster:						
Title I Grants to Local Education Agencies	84.010	102595-3M00-2013	21,203	-	23,362	-
Title I Grants to Local Education Agencies	84.010	102595-3M00-2014	196,865	-	186,755	-
Total Title I, Part A Cluster			<u>218,068</u>	<u>-</u>	<u>210,117</u>	<u>-</u>
Special Education Cluster:						
Special Education Grants to States, IDEA B	84.027	102305-3M20-2013	26,302	-	32,693	-
Special Education Grants to States, IDEA B	84.027	102305-3M20-2014	472,055	-	458,006	-
Parent Mentor	84.027	102305-3M20-2014	25,000	-	24,959	-
Total Special Education Cluster			<u>523,357</u>	<u>-</u>	<u>515,658</u>	<u>-</u>
Title IIA - Teacher Quality Partnership Grant	84.367	102595-3Y60-2013	4,934	-	7,905	-
Title IIA - Teacher Quality Partnership Grant	84.367	102595-3Y60-2014	65,973	-	64,152	-
Total Title IIA - Teacher Quality Partnership Grant			<u>70,907</u>	<u>-</u>	<u>72,057</u>	<u>-</u>
<i>Total U.S. Department of Education</i>			<u>812,332</u>	<u>-</u>	<u>797,832</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$925,529</u>	<u>\$ 49,168</u>	<u>\$ 911,029</u>	<u>\$ 49,168</u>

The accompanying notes are an integral part of this schedule.

**REVERE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Receipts and Expenditures (the Schedule) reports the Revere Local School District, Summit County, Ohio, (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Revere Local School District
Summit County
3496 Everett Road
Richfield, Ohio 44286

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 major fund, and the aggregate remaining fund information of Revere Local School District, Summit County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2015, wherein we noted the District adopted the provisions of Governmental Accounting Standards No. 65, "Items Previously Reported as Assets and Liabilities".

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 26, 2015



Dave Yost • Auditor of State

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

Revere Local School District
Summit County
3496 Everett Road
Richfield, Ohio 44286

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Revere Local School District's, Summit County, (the District's) 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 District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the 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 federal program.

Auditor's Responsibility

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

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

February 26, 2015

**REVERE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULT

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (Title VI-B) CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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REVERE LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2015**