



Dave Yost • Auditor of State



VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Vinton County Local School District  
Vinton County  
307 West High Street  
McArthur, Ohio 45651

To the Board of Education:

### ***Report on the Financial Statements***

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

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

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

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

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Vinton County Local School District, Vinton County, Ohio, as of June 30, 2014, and the respective changes in financial position 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 Standards No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 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 Awards Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 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

March 18, 2015

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

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The discussion and analysis of the Vinton County Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

### **Financial Highlights**

- The assets and deferred outflows of resources of Vinton County Local School District exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$66,294,983. Of this amount, \$46,887,722 represents the total net investment in capital assets and \$4,260,807 that are restricted for specific purposes. The remaining \$15,146,454 represents unrestricted net position.
- In total, net position of governmental activities decreased by \$1,296,516 which represents a 1.92 percent decrease from 2013.
- General revenues accounted for \$21,445,050 or 76.43 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,612,338 or 23.57 percent of total revenues of \$28,057,388.
- The District had \$29,353,904 in expenses related to governmental activities; only \$6,612,338 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$21,445,050 and net position carried over from prior year were used to provide for the remainder of these programs.
- The District recognizes two major governmental funds: the General and Bond Retirement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$23,943,179 in revenues and other financing sources and \$23,085,434 in expenditures and other financing uses in fiscal year 2014.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Vinton County Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

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

#### *Government-Wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting, which is 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.

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

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The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference between these reported as net position. Over time, increases and decreases in net position are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues, including federal and state grants and other shared revenues.

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

#### *Fund Financial Statements*

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of two categories: governmental and fiduciary funds.

#### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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*Management's Discussion and Analysis*  
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Fiduciary Fund

The District's only fiduciary fund is an agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

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

**Government-Wide Financial Analysis**

Recall that the statement of net position provides the perspective of the District as a whole, showing assets, liabilities, deferred inflows/outflows of resources, and the difference between them (net position). Table 1 provides a summary of the District's net position for 2014 compared to fiscal year 2013:

Table 1  
Net Position  
Governmental Activities

	2014	2013*
<i>Assets</i>		
Current and Other Assets	\$27,295,173	\$26,283,532
Capital Assets, Net	53,056,249	55,291,552
Total Assets	80,351,422	81,575,084
Deferred Outflows of Resources	259,513	273,172
<i>Liabilities</i>		
Other Liabilities	3,625,384	3,446,075
Long-Term Liabilities	6,985,738	7,287,625
Total Liabilities	10,611,122	10,733,700
Deferred Inflows of Resources	3,704,830	3,523,057
<i>Net Position</i>		
Net Investment in Capital Assets	46,887,722	48,837,517
Restricted	4,260,807	4,783,488
Unrestricted	15,146,454	13,970,494
Total Net Position	<u>\$66,294,983</u>	<u>\$67,591,499</u>

\*As restated. See note 23 of the notes to the basic financial statements for additional information.

Current and other assets increased \$1,011,641 from fiscal year 2013 due primarily to increases in cash and cash equivalents held by the District and property taxes receivables. These increases were partially offset by a decrease in payments in lieu of property taxes receivables which expired in fiscal year 2014. Capital assets decreased \$2,235,303 as a result of current depreciation and deletions exceeding additions for the fiscal year.

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

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Deferred outflows of resources resulted from the recognition of an accounting loss in 2013 and was reduced by the current year's amortization.

Current (other) liabilities increased by \$179,309 due to an increase in accounts and contracts payable. Long-term liabilities decreased by \$301,887 due to decreases resulting from scheduled principal payments of debt obligations and payments on the long-term portion of the early retirement incentive payable. These decreases were partially offset by increases for new debt.

The District's largest portion of net position is related to the net investment in capital assets. This accounts for 70.72 percent of net position. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities. The District's next largest portion of net position is unrestricted. This accounts for 22.85 percent of net position. This net position represents resources that may be used to meet the District's ongoing obligations to its students and creditors. The remaining balance of \$4,260,807 or 6.43 percent is restricted net position. The restricted net position is subject to external restrictions on how they may be used.

Table 2 shows the changes in net position for fiscal year 2014 and provides a comparison to fiscal year 2013.

Table 2  
Changes in Net Position  
Governmental Activities

	2014	2013
<i>Revenues</i>		
<i>Program Revenue</i>		
Charges for Services and Sales	\$1,164,789	\$1,101,327
Operating Grants and Contributions	5,447,549	5,698,558
Total Program Revenue	6,612,338	6,799,885
<i>General Revenue</i>		
Property and Other Taxes	3,970,416	3,741,678
Payment in Lieu of Taxes	791,090	743,375
Unrestricted Grants and Entitlements	16,580,940	15,298,214
Unrestricted Gifts and Contributions	0	2,500
Investment Earnings	39,706	46,042
Insurance Recoveries	1,700	27,333
Miscellaneous	61,198	14,589
Total General Revenue	21,445,050	19,873,731
Total Revenues	28,057,388	26,673,616

Property taxes increased \$228,738 due to an increase in related receivables. Unrestricted grants increased \$1,282,726 due to an increase in foundation revenues.

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*Management's Discussion and Analysis*  
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Unaudited

Table 2  
Changes in Net Position  
Governmental Activities  
(Continued)

	2014	2013
<i>Expenses</i>		
<i>Program Expenses</i>		
<i>Instruction</i>		
Regular	\$12,609,809	\$12,193,147
Special	3,150,855	2,637,522
Vocational	266,389	270,377
Student Intervention Services	0	73,724
Other	1,548,917	1,090,159
<i>Support Services</i>		
Pupils	1,294,927	1,153,445
Instructional Staff	728,652	1,648,324
Board of Education	392,407	341,037
Administration	1,869,458	2,009,238
Fiscal	413,529	367,184
Operation and Maintenance of Plant	2,384,456	1,737,296
Pupil Transportation	2,384,574	2,261,401
Central	477,974	431,885
Operation of Non-Instructional Services	1,213,263	1,614,805
Extracurricular Activities	375,518	369,597
Interest and Fiscal Charges	243,176	230,150
Issuance Costs	0	118,645
Total Expenses	<u>29,353,904</u>	<u>28,547,936</u>
<i>Change in Net Position</i>	(1,296,516)	(1,874,320)
<i>Net Position Beginning of Year-Restated</i>	<u>67,591,499</u>	<u>69,465,819</u>
<i>Net Position End of Year</i>	<u>\$66,294,983</u>	<u>\$67,591,499</u>

The most significant program expenses for the District are Regular Instruction, Special Instruction, Other Instruction, Pupils Support Services, Instructional Staff, Administration, Operation and Maintenance of Plant, Pupil Transportation and Non-Instructional Services. These programs account for 92.61 percent of the total governmental activities. Regular Instruction accounts for 42.96 percent of the total and represents costs associated with providing general educational services. Special Instruction accounts for 10.74 percent of the total and represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Other Instruction accounts for 5.28 percent of the total and represents costs associated with open enrollment and community school tuition. Pupils, which represent 4.41 percent of the total cost, represent costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process. Instructional Staff accounts for 2.48 percent of the total and represents costs associated with assisting instructional staff with providing learning experiences for students. Administration accounts for 6.37 percent of the total and represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant accounts for 8.12 percent of the total and represents costs associated with operating and maintaining the District's facilities. Pupil Transportation accounts for 8.12 percent of the total and represents costs associated with providing transportation services for students between home and school and to school activities. Non-Instructional Services accounts for 4.13 percent of the total and primarily represents food service operations.

**Vinton County Local School District**  
*Management's Discussion and Analysis*  
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The majority of the funding for the most significant programs indicated above is from grants and entitlements not restricted for specific programs, property taxes, and operating grants and contributions. Operating grants and contributions, property taxes, and grants and entitlements account for 92.66 percent of total revenues.

As noted previously, the net position for the governmental activities decreased \$1,296,516 or 1.92 percent. Total revenues increased \$1,383,772 or 5.19 percent from last year, primarily the result of an increase in unrestricted grants. Expenses increased \$805,968 or 2.82 percent from last year.

### **Governmental Activities**

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 14.15 percent and intergovernmental revenue made up 78.51 percent of the total revenue for the governmental activities in fiscal year 2014.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home was reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District voters approved a bond retirement tax levy for 3.82 mills in November 1997 as part of a \$5,010,000 bond issue for the construction of a new high school. Of the 3.82 mills, 3.32 mills are used for the retirement of the bonds and the remaining .5 mills are used for repairs and maintenance of the new facilities. The District voters also approved a bond retirement tax levy for 1.48 mills as part of the construction of the new elementaries in addition to high school and new middle school. In fiscal year 2014, these levies generated \$397,965 in tax revenue for debt service payments.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2014, the District received \$17,101,963 through the State's foundation program, which represents 60.95 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current level of service.

Instruction accounts for 59.88 percent of governmental activities program expenses. Support services expenses make up 33.88 percent of governmental activities program expenses. The statement of activities shows the cost of program services and 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 for fiscal year 2014 as compared to 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

Table 3  
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014	2014	2013	2013
<i>Program Expenses</i>				
Instruction	\$17,575,970	\$13,542,090	\$16,264,929	\$12,439,167
Support Services	9,945,977	8,684,315	9,949,810	8,330,552
Operation of Non- Instructional Services	1,213,263	22,689	1,614,805	418,970
Extracurricular Activities	375,518	249,296	369,597	210,567
Debt Service	243,176	243,176	348,795	348,795
<b>Total</b>	<b>\$29,353,904</b>	<b>\$22,741,566</b>	<b>\$28,547,936</b>	<b>\$21,748,051</b>

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$28,539,008 and expenditures and other financing uses of \$27,959,854.

Total governmental funds experienced an increase of \$579,154 in fund balance. The increase in fund balance for the year was most significant in the General Fund, which posted a \$857,745 increase, the result of revenues in excess of expenditures. The Bond Retirement Fund had a decrease in fund balance of \$153,886 due to expenditures exceeding revenues during the current year.

The District should remain stable in fiscal years 2015 through 2016. However, projections beyond fiscal year 2016 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**Budget Highlights - General Fund**

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

During the course of fiscal year 2014, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

The District prepares and monitors a detailed cash flow plan for the General Fund. Actual cash flow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis estimate of revenue was \$22,945,354 which was \$1,468,297 above the original budget. The final budget basis estimate of expenditures was \$23,077,910 representing a decrease of \$97,992 from the original budget estimate of \$23,175,902. The final budget reflected a 0.42 percent decrease from the original budgeted amount.

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*Management's Discussion and Analysis*  
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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2014, the District had \$79.6 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$26.5 million. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013.

Table 4  
Capital Assets and Accumulated Depreciation at Year End  
Governmental Activities

	2014	2013
<i>Nondepreciable Capital Assets</i>		
Land	\$1,376,059	\$1,376,059
<i>Depreciable Capital Assets</i>		
Land Improvements	9,864,455	9,834,955
Buildings and Improvements	59,526,447	59,510,379
Furniture, Fixtures and Equipment	5,249,266	5,235,390
Vehicles	3,550,262	3,079,144
Total Capital Assets	<u>79,566,489</u>	<u>79,035,927</u>
<i>Less Accumulated Depreciation</i>		
Land Improvements	(3,991,270)	(3,506,328)
Buildings and Improvements	(15,579,955)	(13,801,537)
Furniture, Fixtures and Equipment	(4,192,383)	(3,824,337)
Vehicles	(2,746,632)	(2,612,173)
Total Accumulated Depreciation	<u>(26,510,240)</u>	<u>(23,744,375)</u>
Capital Assets, Net	<u>\$53,056,249</u>	<u>\$55,291,552</u>

More detailed information pertaining to the District's capital asset activity can be found in note 10 of the notes to the basic financial statements.

**Debt Administration**

At June 30, 2014, the District had \$368,000 in bus notes, \$4,845,000 in refunding bonds, and \$329,359 in capital leases outstanding with \$669,151 due within one year. Table 5 summarizes bonds, notes, and capital leases outstanding for fiscal year 2014 compared to fiscal year 2013.

Table 5  
Outstanding Debt, Governmental Activities at Year End

	2014	2013
General Obligation Bonds	\$0	\$250,000
Bus Note	368,000	0
Refunding Bonds	4,845,000	5,105,000
Capital Leases	329,359	439,766
Total	<u>\$5,542,359</u>	<u>\$5,794,766</u>

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

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More detailed information pertaining to the District's long-term debt activity can be found in notes 14 and 15 of the notes to the basic financial statements.

**Current Issues**

Vinton County Local School District is financially stable, and has been over the past several years although the financial future of the District is not without its challenges. The District relies on revenue from local property taxes as well as revenue from state funding sources (approximately 73 percent). State foundation revenue is based on a district's student enrollment and property tax wealth. In 2014, the District saw a slight increase in student enrollment; however, future estimates indicate a declining enrollment which will result in a decline in state revenue. Also, the District does not anticipate any sustainable growth in revenue from property taxes due to slow economic growth, with the exception of an increase in tax revenue resulting from the expiring of a tax abatement in 2014. As a result, tax revenue will increase and state funding will decrease in 2015. In fiscal year 2014, the District received their last tax abatement payment and in fiscal year 2015 the District will receive its first tax payment from Rolling Hills Power Generating Facility.

The Vinton County Local Board of Education is committed to being financially responsible and with increased expenditures and declining revenues the District will need to continue to implement cost saving and cost containing measures in an attempt to have a balanced budget. There will be a new state biennium budget in fiscal year 2015 however, and the District will plan accordingly based on how school funding is treated within that budget.

It is important to note that in March 1997, the State of Ohio was found by the Supreme Court to be operating an unconstitutional funding system one that was neither adequate nor equitable. As long as the State avoids a complete overhaul of the funding system that the Supreme Court has ordered in its ruling, all schools in Ohio will be faced with the same problem in the future, to either increase its revenue by passing levies or decrease expenses by making budget cuts.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact Erica Zinn, Treasurer of Vinton County Local School Board of Education, 307 West High Street, McArthur, Ohio 45651.

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**Vinton County Local School District**  
*Statement of Net Position*  
*As of June 30, 2014*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$19,345,562
Cash and Cash Equivalents in Segregated Accounts	1,445
Inventory Held for Resale	11,812
Accrued Interest Receivable	10,410
Intergovernmental Receivable	1,166,280
Prepaid Items	46,584
Property Taxes Receivable	6,683,817
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	29,263
Nondepreciable Capital Assets	1,376,059
Depreciable Capital Assets, net	51,680,190
<i>Total Assets</i>	80,351,422
<b>Deferred Outflows of Resources:</b>	
Deferred Charges on Refunding	259,513
<i>Total Deferred Outflows of Resources</i>	259,513
<b>Liabilities:</b>	
Accounts Payable	94,178
Accrued Wages and Benefits	2,817,494
Contracts Payable	89,142
Intergovernmental Payable	477,831
Accrued Interest Payable	11,288
Matured Compensated Absences Payable	18,166
Retainage Payable	27,285
Early Retirement Incentive Payable	90,000
Long-Term Liabilities:	
Due Within One Year	799,668
Due in More Than One Year	6,186,070
<i>Total Liabilities</i>	10,611,122
<b>Deferred Inflows of Resources:</b>	
Property Taxes not Levied to Finance Current Year Operations	3,704,830
<b>Net Position:</b>	
Net Investment in Capital Assets	46,887,722
Restricted for Debt Service	2,600,259
Restricted for Capital Outlay	10,952
Restricted for Other Purposes	1,649,596
Unrestricted	15,146,454
<i>Total Net Position</i>	\$66,294,983

The notes to the basic financial statements are an integral part of this statement

**Vinton County Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$12,609,809	\$223,954	\$600,610	(\$11,785,245)
Special	3,150,855	49,656	2,846,597	(254,602)
Vocational	266,389	6,033	33,524	(226,832)
Other	1,548,917	29,803	243,703	(1,275,411)
Support Services:				
Pupils	1,294,927	21,637	348,359	(924,931)
Instructional Staff	728,652	12,359	119,113	(597,180)
Board of Education	392,407	7,621	0	(384,786)
Administration	1,869,458	38,853	158,161	(1,672,444)
Fiscal	413,529	9,405	0	(404,124)
Operation and Maintenance of Plant	2,384,456	41,983	8,103	(2,334,370)
Pupil Transportation	2,384,574	50,925	3,156	(2,330,493)
Central	477,974	441,987	0	(35,987)
Operation of Non-Instructional Services	1,213,263	107,814	1,082,760	(22,689)
Extracurricular Activities	375,518	122,759	3,463	(249,296)
Debt Service:				
Interest and Fiscal Charges	243,176	0	0	(243,176)
<i>Total Governmental Activities</i>	<u>\$29,353,904</u>	<u>\$1,164,789</u>	<u>\$5,447,549</u>	(22,741,566)

**General Revenues:**

Property Taxes Levied for:	
General Purposes	3,445,968
Capital Maintenance	126,483
Debt Service	397,965
Grants and Entitlements not	
Restricted for Specific Programs	16,580,940
Investment Earnings	39,706
Insurance Recoveries	1,700
Payments in Lieu of Taxes	791,090
Miscellaneous	61,198
<i>Total General Revenues</i>	<u>21,445,050</u>
<i>Change in Net Position</i>	(1,296,516)
<i>Net Position Beginning of Year-Restated</i>	<u>67,591,499</u>
<i>Net Position End of Year</i>	<u>\$66,294,983</u>

The notes to the basic financial statements are an integral part of this statement

**Vinton County Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*As of June 30, 2014*

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$15,938,171	\$2,109,457	\$1,297,934	\$19,345,562
Cash and Cash Equivalents in Segregated Accounts	0	0	1,445	1,445
Inventory Held for Resale	0	0	11,812	11,812
Accrued Interest Receivable	10,410	0	0	10,410
Interfund Receivable	332,888	0	0	332,888
Intergovernmental Receivable	162,557	0	1,003,723	1,166,280
Prepaid Items	46,584	0	0	46,584
Property Taxes Receivable	5,763,539	682,043	238,235	6,683,817
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	1,978	0	27,285	29,263
<i>Total Assets</i>	<u>\$22,256,127</u>	<u>\$2,791,500</u>	<u>\$2,580,434</u>	<u>\$27,628,061</u>
<b>Liabilities:</b>				
Accounts Payable	\$57,262	\$0	\$36,916	\$94,178
Accrued Wages and Benefits	2,469,047	0	348,447	2,817,494
Contracts Payable	0	0	89,142	89,142
Interfund Payable	0	0	332,888	332,888
Intergovernmental Payable	432,137	0	45,694	477,831
Matured Compensated Absences Payable	18,166	0	0	18,166
Retainage Payable	0	0	27,285	27,285
Early Retirement Incentive Payable	90,000	0	0	90,000
<i>Total Liabilities</i>	3,066,612	0	880,372	3,946,984
<b>Deferred Inflows of Resources:</b>				
Property Taxes not Levied to Finance Current Year Operations	3,193,141	374,993	136,696	3,704,830
Unavailable Revenue	2,188,246	241,981	661,680	3,091,907
<i>Total Deferred Inflows of Resources</i>	5,381,387	616,974	798,376	6,796,737
<b>Fund Balances:</b>				
Nonspendable	46,909	0	11,812	58,721
Restricted	0	2,174,526	1,238,876	3,413,402
Committed	114,853	0	0	114,853
Assigned	810,020	0	0	810,020
Unassigned (Deficit)	12,836,346	0	(349,002)	12,487,344
<i>Total Fund Balances</i>	<u>13,808,128</u>	<u>2,174,526</u>	<u>901,686</u>	<u>16,884,340</u>
<i>Total Liabilities, Fund Balances, and Deferred Inflows of Resources</i>	<u>\$22,256,127</u>	<u>\$2,791,500</u>	<u>\$2,580,434</u>	<u>\$27,628,061</u>

The notes to the basic financial statements are an integral part of this statement.

**Vinton County Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 As of June 30, 2014*

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**Total Governmental Fund Balances** \$16,884,340

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 53,056,249

Some of the District's receivables will be collected after fiscal year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. Those receivables consist of:

Intergovernmental	744,216	
Taxes	2,347,691	
Total	3,091,907	3,091,907

Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the 259,513

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Bus Notes	(368,000)	
Refunding Bonds	(4,909,473)	
Premium on Refunding Bonds	(626,168)	
Accrued Interest on Bonds	(11,288)	
Compensated Absences	(682,738)	
Early Retirement Incentive	(70,000)	
Capital Lease Obligations	(329,359)	
Total	(6,997,026)	(6,997,026)

**Net Position of Governmental Activities** \$66,294,983

The notes to the basic financial statements are an integral part of this statement

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

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$3,395,382	\$437,920	\$80,460	\$3,913,762
Intergovernmental	18,216,905	67,937	3,718,453	22,003,295
Interest	39,494	0	212	39,706
Tuition and Fees	497,191	0	0	497,191
Rent	450	0	0	450
Extracurricular Activities	36,956	0	82,031	118,987
Gifts and Donations	3,904	0	859	4,763
Customer Sales and Services	441,204	0	106,957	548,161
Payments in Lieu of Taxes	791,090	0	0	791,090
Miscellaneous	58,788	2,307	103	61,198
<i>Total Revenues</i>	<u>23,481,364</u>	<u>508,164</u>	<u>3,989,075</u>	<u>27,978,603</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	9,906,935	0	603,481	10,510,416
Special	2,169,793	0	947,805	3,117,598
Vocational	265,259	0	0	265,259
Other	1,310,425	0	238,492	1,548,917
Support Services:				
Pupils	949,342	0	337,061	1,286,403
Instructional Staff	539,799	0	113,450	653,249
Board of Education	335,097	24,322	3,658	363,077
Administration	1,683,247	0	174,563	1,857,810
Fiscal	413,864	0	0	413,864
Operation and Maintenance of Plant	1,817,525	0	418,702	2,236,227
Pupil Transportation	2,230,365	0	2,869	2,233,234
Central	475,397	0	0	475,397
Operation of Non-Instructional Services	49,200	0	1,116,938	1,166,138
Extracurricular Activities	208,856	0	85,340	294,196
Capital Outlay	482,893	0	49,393	532,286
Debt Service:				
Principal	88,494	602,000	21,913	712,407
Interest	60,353	134,318	0	194,671
<i>Total Expenditures</i>	<u>22,986,844</u>	<u>760,640</u>	<u>4,113,665</u>	<u>27,861,149</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	494,520	(252,476)	(124,590)	117,454
<b>Other Financing Sources (Uses):</b>				
Transfers In	115	98,590	0	98,705
Other Notes Issued	460,000	0	0	460,000
Insurance Recoveries	1,700	0	0	1,700
Transfers Out	(98,590)	0	(115)	(98,705)
<i>Total Other Financing Sources (Uses)</i>	<u>363,225</u>	<u>98,590</u>	<u>(115)</u>	<u>461,700</u>
<i>Net Change in Fund Balances</i>	857,745	(153,886)	(124,705)	579,154
<i>Fund Balance at Beginning of Year-Restated</i>	<u>12,950,383</u>	<u>2,328,412</u>	<u>1,026,391</u>	<u>16,305,186</u>
<i>Fund Balance at End of Year</i>	<u>\$13,808,128</u>	<u>\$2,174,526</u>	<u>\$901,686</u>	<u>\$16,884,340</u>

The notes to the basic financial statements are an integral part of this statement.

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

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**Net Change in Fund Balances - Total Governmental Funds** \$579,154

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 asset additions in the current period.

Capital Asset Additions	532,286	
Current Year Depreciation	(2,767,589)	
Total	(2,235,303)	(2,235,303)

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

Intergovernmental	20,431	
Taxes	56,654	
Total	77,085	77,085

Notes issued are reported in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (460,000)

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 602,000

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 110,407

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due. (5,680)

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	18,646	
Early Retirement Incentive	60,000	
Amortization of Premium on Bonds	33,101	
Amortization of Deferred Charge on Refunding	(13,659)	
Accretion on Refunding Bonds	(62,267)	
Total	35,821	35,821

**Net Change in Net Position of Governmental Activities** (\$1,296,516)

The notes to the basic financial statements are an integral part of this statement

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

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$3,097,000	\$3,314,047	\$3,372,317	\$58,270
Intergovernmental	17,078,800	18,167,800	18,216,905	49,105
Interest	40,000	40,000	35,756	(4,244)
Tuition and Fees	406,200	502,450	496,627	(5,823)
Rent	0	0	450	450
Gifts and Donations	2,500	2,500	1,300	(1,200)
Miscellaneous	852,557	918,557	849,878	(68,679)
<i>Total Revenues</i>	21,477,057	22,945,354	22,973,233	27,879
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	10,058,183	10,222,891	9,783,011	439,880
Special	2,184,613	2,173,074	2,150,985	22,089
Vocational	314,575	295,138	279,575	15,563
Other	1,248,986	1,200,000	1,310,425	(110,425)
Support Services:				
Pupils	957,554	927,911	936,219	(8,308)
Instructional Staff	827,790	586,861	605,099	(18,238)
Board of Education	351,707	333,389	330,617	2,772
Administration	1,865,208	1,696,022	1,713,997	(17,975)
Fiscal	421,248	409,896	413,103	(3,207)
Operation and Maintenance of Plant	2,290,153	2,159,045	2,007,765	151,280
Pupil Transportation	2,459,273	2,791,441	2,728,868	62,573
Central	0	36,270	35,218	1,052
Operation of Non-Instructional Services	0	51,660	49,200	2,460
Extracurricular Activities	196,612	194,312	171,536	22,776
<i>Total Expenditures</i>	23,175,902	23,077,910	22,515,618	562,292
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,698,845)	(132,556)	457,615	590,171
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	0	171,838	171,838
Other Notes Issued	460,000	460,000	460,000	0
Insurance Recoveries	0	0	1,700	1,700
Transfers Out	0	(98,000)	(270,527)	(172,527)
<i>Total Other Financing Sources (Uses)</i>	460,000	362,000	363,011	1,011
<i>Net Change in Fund Balances</i>	(1,238,845)	229,444	820,626	591,182
<i>Fund Balance at Beginning of Year-Restated</i>	14,937,018	14,937,018	14,937,018	0
<i>Prior Year Encumbrances Appropriated</i>	140,354	140,354	140,354	0
<i>Fund Balance at End of Year</i>	\$13,838,527	\$15,306,816	\$15,897,998	\$591,182

The notes to the basic financial statements are an integral part of this statement.

**Vinton County Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*As of June 30, 2014*

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	<u>Agency Fund</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$64,606</u>
<i>Total Assets</i>	<u><u>\$64,606</u></u>
<b>Liabilities:</b>	
Due to Students	<u>\$64,606</u>
<i>Total Liabilities</i>	<u><u>\$64,606</u></u>

The notes to the basic financial statements are an integral part of this statement.

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

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**Note 1 – Description of the School District and Reporting Entity**

**Description of the School District**

Vinton County Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's five (5) instructional support facilities staffed by 96 non-certificated, 162 teaching personnel and 14 administrative employees providing education to approximately 2,326 students.

**Reporting Entity**

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

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

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- Parent Teacher Organizations
- Booster Clubs

The District is associated with five organizations, four of which are defined as jointly governed organizations, and one is a group purchasing pool. These organizations are the South Central Ohio Computer Association, the Gallia-Vinton Educational Service Center, the Gallia-Jackson-Vinton Joint Vocational School District, the State Support Team Region 16, and the Workers' Compensation Group Retrospective Rating Program. These organizations are presented in notes 20 and 21 to the basic financial statements.

**Note 2 – Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

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

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Presentation***

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

*Government-Wide Financial Statements*

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

*Fund Financial Statements*

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

Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***Fund Accounting***

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

*Governmental Funds*

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

The following are the District's major governmental funds:

**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

*Bond Retirement Fund* - This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

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

*Fiduciary Funds*

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

***Measurement Focus***

*Government-Wide Financial Statements*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the 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, current liabilities, and certain deferred inflows/outflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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.

***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 and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*Revenues - Exchange and Nonexchange Transactions*

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, 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 year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at the fiscal year-end: property taxes available for advance, grants and interest.

*Deferred Inflows/Outflows of Resources*

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

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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 year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources in the governmental funds and as revenue on the statement of activities.

*Expenses/Expenditures*

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Cash and Cash Equivalents***

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

During the fiscal year 2014, the District's investments were limited to certificates of deposit and the State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investments could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the District during fiscal year 2014 amounted to \$39,706 which includes \$39,494 credited to the General Fund and \$212 credited to other governmental funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

***Inventory***

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund type when consumed or used.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***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. Restricted assets in the General Fund include amounts required to be committed for school bus purchases. Restricted assets in the Construction Fund reflect amounts held as retainage.

***Capital Assets***

General capital assets are associated with and generally arise from governmental activities. 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.

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

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

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 District maintains a capitalization threshold of one thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All 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	20 - 30 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	6 - 15 years
Vehicles	5 - 10 years

***Interfund Balances***

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

***Compensated Absences***

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 20 years of service with the District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Accrued Liabilities and Long-Term Liabilities***

All payables, accrued liabilities and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination of benefits and contractually required pension contributions 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 in the current year. Bonds, notes, and capital leases are recognized as a liability on the fund financial statements when due.

***Net Position***

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the District's restricted net position of \$4,260,807, none is restricted by enabling legislation.

***Fund Balance***

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

*Nonspendable* – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

*Committed* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education, the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*Unassigned* – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

***Interfund Transactions***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one 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 to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated on the statement of activities.

***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. For the fiscal year 2014, the District reported no extraordinary or special items.

***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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

***Budgetary Process***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the permanent 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.

**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

***Bond Premium***

Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are accreted over the term of the bonds.

On the governmental fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

***Deferred Charge on Refunding***

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

**Note 3 – Accountability**

At June 30, 2014, the Construction Fund, Alternative School Fund, Miscellaneous State Grant Fund, Title VI-B Fund, Title I Fund, Early Childhood Special Education Fund, and Title VI-R Fund had deficit balances of \$297,277, \$80, \$3,524, \$13,139, \$17,529, \$29, and \$17,424, respectively. The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

**Note 4 – Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental funds (GAAP basis).

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

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**Note 4 – Budgetary Basis of Accounting (Continued)**

4. 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. Certain agency funds are also considered part of the General Fund on a GAAP basis. This includes the Uniform School Supplies, Public School Support, Employee Benefits Special Revenue Funds and the Unclaimed Monies Agency Fund.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$857,745
Revenue Accruals	(26,803)
Expenditure Accruals	147,384
Encumbrances	(161,626)
(Excess) Deficit of Funds Combined with General Fund for Reporting Purposes	3,926
Budget Basis	\$820,626

**Note 5 – Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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 accounts including passbook accounts.

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

Interim monies may 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 or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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**Note 5 – Deposits and Investments (Continued)**

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

*Deposits* – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at federal reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the federal reserve bank in the name of the District. The District's policy does not address this risk beyond the requirements of the Ohio Revised Code.

At June 30, 2014, the carrying amount of all District deposits was \$12,242,146. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2014, \$8,663,268 of the District's bank balance of \$12,543,071 was covered by Federal Deposit Insurance. The remaining \$3,879,803 was collateralized with securities held by the District or its agent in the District's name.

*Investments* – As of June 30, 2014, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$7,197,285	6 Months or Less

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by keeping the portfolio sufficiently liquid to enable the District to meet all operating requirements.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits its investments to STAROhio as described in Ohio Revised Code Section 135.143A(2). Investments in STAROhio were rated AAAM by Standard & Poor's.

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

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**Note 5 – Deposits and Investments (Continued)**

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s investment policy allows investments in eligible securities as described in the Ohio Revised Code. The District has invested 100 percent of its investments in STAROhio.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. All of the District’s investments are either insured and registered in the name of the District or at least registered in the name of the District.

**Note 6 – Property Taxes**

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

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

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 thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2014. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

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

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

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**Note 6 – Property Taxes (Continued)**

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
Agricultural/Residential and Other Real Estate	\$160,216,480	82.50%	\$160,555,060	78.82%
Public Utility Personal	33,984,980	17.50%	43,142,650	21.18%
Total Assessed Value	\$194,201,460	100.00%	\$203,697,710	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$20.70		\$20.70	

**Note 7 – Payments in Lieu of Taxes**

Vinton County Local School District along with the Vinton County Commissioners and Wilkesville Township entered into an Ohio Enterprise Zone Agreement with Rolling Hills Power Generating Facility, formerly Dynegy and Tenaska, to develop and equip a natural gas fired electric generation plant in Wilkesville Township. The District receives 63.3%, the Township receives 9.4% and the County receives 27.3% of the annual personal property tax in lieu of payment. The District received \$791,090 in payments in lieu of taxes during fiscal year 2014, \$512,238 of which was related to the Ohio Enterprise Zone Agreement. In fiscal year 2014, the District received its final tax abatement payment from Rolling Hills Power Generating Facility, and beginning in fiscal year 2015, the District will receive regular property tax payments from them.

**Note 8 – Receivables**

Receivables at June 30, 2014 consisted of taxes, interfund, interest 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. A summary of the principal items of intergovernmental receivables follows:

<i>Major Fund:</i>	
General Fund	\$162,557
<i>Nonmajor Funds:</i>	
Construction	218,434
Public Preschool	30,852
Miscellaneous State Grants	57,077
Race to the Top	60,439
Title VI-B	240,342
Title I	333,469
Early Childhood Special Education	368
Title VI-R	18,527
Miscellaneous Federal Grants	44,215
Total Nonmajor Funds	1,003,723
Total	\$1,166,280

**Note 9 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the District contracted with Reed and Baur Insurance Agency for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

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

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**Note 9 – Risk Management (Continued)**

Building and Contents - replacement cost (\$2,500 deductible)	\$96,246,003
Commercial Computer Coverage (\$500 deductible)	774,993
Musical Instruments (\$500 deductible)	206,235
Automobile Liability:	
Per Person	1,000,000
Per Accident	1,000,000
Uninsured Motorists:	
Per Person	1,000,000
Per Accident	1,000,000
General Liability:	
Per Occurrence	6,000,000
Aggregate Limit	6,000,000
Public Official Bonds:	
Treasurer	100,000
Superintendent	20,000
Board President	50,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no other significant reductions in coverage from the prior year.

For fiscal year 2014, the District participated in the Workers' Compensation Group Retrospective Rating Program (the Program), an insurance purchasing pool (note 21). The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm CompManagement provides administrative, cost control and actuarial services to the Program.

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

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**Note 10 – Capital Assets**

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

Asset Category	Balance at 7/1/13	Transfers/ Additions	Transfers/ Deletions	Balance at 6/30/14
<i>Nondepreciable Capital Assets:</i>				
Land	\$1,376,059	\$0	\$0	\$1,376,059
<i>Depreciable Capital Assets:</i>				
Land Improvements	9,834,955	29,500	0	9,864,455
Buildings and Improvements	59,510,379	16,068	0	59,526,447
Furniture, Fixtures and Equipment	5,235,390	15,600	(1,724)	5,249,266
Vehicles	3,079,144	471,118	0	3,550,262
Total Depreciable Capital Assets	<u>77,659,868</u>	<u>532,286</u>	<u>(1,724)</u>	<u>78,190,430</u>
Total Capital Assets	79,035,927	532,286	(1,724)	79,566,489
<i>Accumulated Depreciation:</i>				
Land Improvements	(3,506,328)	(484,942)	0	(3,991,270)
Buildings and Improvements	(13,801,537)	(1,778,418)	0	(15,579,955)
Furniture, Fixtures and Equipment	(3,824,337)	(369,770)	1,724	(4,192,383)
Vehicles	(2,612,173)	(134,459)	0	(2,746,632)
Total Accumulated Depreciation	<u>(23,744,375)</u>	<u>(2,767,589)</u>	<u>1,724</u>	<u>(26,510,240)</u>
Depreciable Capital Assets, Net	<u>53,915,493</u>	<u>(2,235,303)</u>	<u>0</u>	<u>51,680,190</u>
Total Net Capital Assets	<u>\$55,291,552</u>	<u>(\$2,235,303)</u>	<u>\$0</u>	<u>\$53,056,249</u>

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$2,206,383
Special	22,892
Vocational	1,130
<i>Support Services:</i>	
Pupils	6,505
Instructional Staff	76,783
Board of Education	29,330
Administration	4,184
Operation and Maintenance	154,851
Pupil Transportation	142,564
Central	2,577
Operation of Non-Instructional Services	39,068
Extracurricular Activities	81,322
Total	<u>\$2,767,589</u>

**Note 11 – Defined Benefit Pension Plans**

*School Employees Retirement System*

The 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 on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$549,167, \$549,953, and \$539,257, respectively, which equaled the required contributions each year.

*State Teachers Retirement System*

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

**Note 11 – Defined Benefit Pension Plans (Continued)**

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

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

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

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

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

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

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

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

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**Note 11 – Defined Benefit Pension Plans (Continued)**

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers.

For the fiscal years ended June 30, 2014, 2013 and 2012, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,258,335, \$1,265,076, and \$1,317,541, respectively; 83 percent of required contributions have been made for fiscal year 2014 and 100 percent of required contributions have been made for fiscal years 2013 and 2012. \$225,008 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

*Social Security System*

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

**Note 12 – Postemployment Benefits**

*School Employees Retirement System*

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B 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 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013 and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent, respectively. For the District, contributions for the years ended June 30, 2014, 2013 and 2012, were \$31,860, \$31,066, and \$31,846, respectively, which equaled the required allocation for those years.

**Note 12 – Postemployment Benefits (Continued)**

Health Care Plan

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

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2014, 2013 and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent, respectively. 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the District, contributions assigned to health care for the years ending June 30, 2014, 2013, and 2012 were \$62,557, \$61,797, and \$71,491, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

*State Teachers Retirement System*

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan; and a Combined Plan that is a hybrid of the Defined Benefit Plan and Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

**Note 12 – Postemployment Benefits (Continued)**

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$96,795, \$97,314, and \$101,349, for fiscal years 2014, 2013 and 2012, respectively.

**Note 13 – Employee Benefits**

*Compensated Absences*

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, Assistant Superintendent, Assistant Treasurers, Account Clerk, Transportation Coordinator, and Maintenance Supervisor. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for 25 percent of the employee's accumulated sick leave up to a maximum of 51 days for certified and administrative employees and 65 days for non-certificated employees.

*Retirement Incentive*

The District Board of Education approved a Retirement Incentive Program. Participation is open to members of the Education Association the year in which the member first attains thirty years of service credit with STRS. A teacher who retires with thirty (30) years but less than thirty-one (31) years of service according to STRS rules, is eligible for a severance bonus of \$40,000, payable in four installments of \$10,000, with the first installment to be paid by the time of the second payroll in January following the retirement date, and each subsequent installment by the time of the second payroll in January of the following three years. To be eligible, the teacher must file a letter with the Treasurer stating (1) retirement effective date, and (2) amount of severance bonus applied for by January 1 for a teacher retiring at the end of a school year, and if a teacher is retiring mid-year the letter must be filed 6 months before the retirement date. The retirement incentive program is a part of the negotiated union contract.

*Health, Prescription, Dental and Life Insurance*

The District provides health and prescription benefits to its employees through a fully funded policy with United Health Care. Dental insurance benefits are provided through a policy with Delta Dental and life insurance is with MEC.

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

**Note 14 – Long-Term Obligations**

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

	Issue Date	Interest Rate	Principal Outstanding at 7/1/13	Additions	Deletions	Principal Outstanding at 6/30/14	Amount Due in One Year
<b>Governmental Activities:</b>							
<b>General Obligation</b>							
Bonds	6/15/98	5.01%	\$250,000	\$0	\$250,000	\$0	\$0
<b>2005 Refunding Bonds:</b>							
Serial Bonds	7/6/05	3-5%	460,000	0	100,000	360,000	360,000
<b>2013 Refunding Bonds:</b>							
Series A Bonds Serial	5/17/13	0.6-	565,000	0	90,000	475,000	45,000
Series A Bonds Term		3.2%	2,150,000	0	0	2,150,000	0
Series A Bonds Capital Appreciation			125,000	0	0	125,000	0
Series A Bonds Capital Appreciation Accretion			1,612	45,475	0	47,087	0
Series A Premium			409,710	0	20,571	389,139	0
Series B Bonds Serial			1,760,000	0	70,000	1,690,000	55,000
Series B Bonds Capital Appreciation			45,000	0	0	45,000	0
Series B Bonds Capital Appreciation Accretion			594	16,792	0	17,386	0
Series B Premium			249,559	0	12,530	237,029	0
Bus Note			0	460,000	92,000	368,000	92,000
<b>Total Bonds and Note</b>			<b>6,016,475</b>	<b>522,267</b>	<b>635,101</b>	<b>5,903,641</b>	<b>552,000</b>
Capital Leases			439,766	0	110,407	329,359	117,151
Retirement Incentive			130,000	30,000	90,000	70,000	0
Compensated Absences			701,384	661,542	680,188	682,738	130,517
<b>Total Long-Term Obligations</b>			<b>\$7,287,625</b>	<b>\$1,213,809</b>	<b>\$1,515,696</b>	<b>\$6,985,738</b>	<b>\$799,668</b>

*1998 General Obligation Bonds* – General obligation bonds were issued in the amount of \$5,010,000 in July 1998, as a result of the District being approved for \$11,041,812 in school facilities funding through the Ohio School Facilities Commission for the construction of a high school building. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 3.82 mill levy in November 1997. Of the 3.82 mill levy, 3.32 mills is used for the retirement of the bonds that were issued and are in effect for twenty-three years. The remaining .5 mill is used for repairs and maintenance of the facility. As a part of this funding process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the District may become responsible for repayment of a portion of the State's contribution. The general obligation bonds are repaid by the Bond Retirement Fund using tax revenues. The bonds were paid in full in fiscal year 2014.

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

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**Note 14 – Long-Term Obligations (Continued)**

*2005 Refunding Bonds* - In July 2005, the District issued \$5,715,000 of voted general obligation bonds for the advance refunding of \$2,015,000 of the 1998 series bonds and the repayment of a \$3,700,000 bond anticipation note. The \$328,924 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 26 years. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$335,768 and a reduction of \$110,498 in future debt service payments. \$3,600,000 was issued as serial bonds with interest rates ranging from 3.0% to 5.0%. \$1,085,000 was issued as term bonds with an interest rate of 5.00%. \$1,030,000 was issued as term bonds with an interest rate of 5.00%. The bonds were issued for a twenty-seven year period. However, in May 2013, a portion of these bonds was advance refunded. The remaining bonds have a final maturity of December 1, 2014. The refunding bonds will be repaid by the Bond Retirement Fund.

*2013 Refunding Bonds* - In May 2013, the District issued \$2,840,000 of voted general obligation bonds (Series A) and \$1,805,000 of voted general obligation bonds (Series B) for the advance refunding of \$4,645,000 of the 2005 series bonds. The \$662,027 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 20 years. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in a difference between the net carrying value of the refunded debt and the reacquisition price of \$287,550. The difference is reported on the statement of net position as a deferred outflow of resources and is being amortized to interest expense over the life of the new bonds using the straight line method. The amortization for fiscal year 2014 was \$13,659. The District incurred an economic gain (difference between the present values of the old and new debt service payments) of \$134,905 and a reduction of \$200,462 in future debt service payments as a result of the refunding. \$565,000 of the Series A bonds and \$1,760,000 of the Series B bonds were issued as serial bonds with interest rates of 2.0% and ranging from 0.6% to 2.15%, respectively. \$2,150,000 of the Series A bonds were issued as term bonds with interest rates ranging from 2.0% to 3.2%. \$125,000 of the Series A bonds and \$45,000 of the Series B bonds were issued as capital appreciation bonds. For fiscal year 2014, \$45,475 and \$16,792 was accreted for the Series A and Series B bonds, respectively. The refunding bonds will be repaid by the Bond Retirement Fund. Capital appreciation bonds will mature on December 1, 2016 through 2019. At the date of refunding \$5,307,027 (including underwriter fees and other issuance costs) was deposited into an irrevocable trust to provide for future debt service requirements on the 2005 refunding bonds. As of June 30, 2014, the amount of the refunded bonds still outstanding and the balance of the irrevocable trust account was \$4,860,689.

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2021, in the principal amount of \$155,000. The remaining principal amount of these bonds (\$155,000) will be repaid at stated maturity on December 1, 2022.

The term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2023, in the principal amount of \$160,000. The remaining principal amount of these bonds (\$165,000) will be repaid at stated maturity on December 1, 2024.

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2025, in the principal amount of \$170,000. The remaining principal amount of these bonds (\$175,000) will be repaid at stated maturity on December 1, 2026.

The term bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2027, in the principal amount of \$180,000. The remaining principal amount of these bonds (\$185,000) will be repaid at stated maturity on December 1, 2028.

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

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**Note 14 – Long-Term Obligations (Continued)**

The term bonds maturing on December 1, 2030 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2029, in the principal amount of \$190,000. The remaining principal amount of these bonds (\$195,000) will be repaid at stated maturity on December 1, 2030.

The term bonds maturing on December 1, 2032 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2031, in the principal amount of \$205,000. The remaining principal amount of these bonds (\$215,000) will be repaid at stated maturity on December 1, 2032.

The Series A bonds maturing on or after December 1, 2022 are subject to redemption at the option of the District, either in whole or in part, in such order of maturity as the District shall determine, on any date on or after December 1, 2021, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The serial bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity.

*Bus Note* – The District issued a general obligation note on September 9, 2013 for \$460,000 for the purpose of purchasing busses. This note carries a 2.1 percent interest rate. Semi-annual principal payments of \$46,000 and interest are required beginning December 1, 2013 until the maturity date of June 1, 2018. This note will be repaid from the Bond Retirement Fund.

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

Fiscal Year Ending June 30,	2005 Refunding Bonds	2013 Refunding Series A Bonds	2013 Refunding Series B Bonds	Interest	Total
2015	\$360,000	\$45,000	\$55,000	\$104,646	\$564,646
2016	0	135,000	340,000	92,208	567,208
2017	0	45,000	340,000	182,712	567,712
2018	0	35,000	345,000	188,856	568,856
2019	0	45,000	260,000	264,620	569,620
2020-2024	0	765,000	395,000	628,013	1,788,013
2025-2029	0	875,000	0	200,543	1,075,543
2030-2033	0	805,000		53,074	858,074
Totals	\$360,000	\$2,750,000	\$1,735,000	\$1,714,672	\$6,559,672

The annual requirements to retire the bus note outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$92,000	\$7,347	\$99,347
2016	92,000	5,388	97,388
2017	92,000	3,429	95,429
2018	92,000	1,470	93,470
Total	\$368,000	\$17,634	\$385,634

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

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**Note 14 – Long-Term Obligations (Continued)**

Capital leases are paid from the General and Title I Funds. Compensated absences and retirement incentives are paid from the General Fund.

The District's voted legal debt margin was \$15,294,320 with an unvoted debt margin of \$203,698 at June 30, 2014.

**Note 15 – Capital Leases – Lessee Disclosure**

In 2013, the District entered into capitalized leases for copier equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. However, these expenditures are reported as current expenditures on the budgetary statement.

Capital assets acquired by lease were initially capitalized in the statement of net position for governmental activities in the amount of \$535,411 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2014 totaled \$110,407 and were paid from the General and Title I Funds.

Principal and interest requirements to retire the capital leases at June 30, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Capital Leases</u>
2015	\$173,376
2016	124,392
2017	124,941
2018	<u>19,236</u>
Total Debt Payments	441,945
Less: Interest	<u>(112,586)</u>
Total Principal	<u>\$329,359</u>

**Note 16 – Interfund Activity**

Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Major Funds:</i>		
General	\$115	\$98,590
Bond Retirement	98,590	0
<i>Other Governmental Funds:</i>		
Food Service	0	12
Poverty Aid	0	14
Title VI-B	0	89
Total Other Governmental Funds	<u>0</u>	<u>115</u>
Total	<u>\$98,705</u>	<u>\$98,705</u>

Transfers were made from other governmental funds to the General Fund to move unclaimed monies in accordance with Ohio unclaimed monies statutes. Transfers were made from the General Fund to the Bond Retirement Fund for debt payments.

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

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**Note 16 – Interfund Activity (Continued)**

Interfund Receivables/Payables

As of June 30, 2014, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
<i>Major Fund:</i>		
General	\$332,888	\$0
<i>Other Governmental Funds:</i>		
Miscellaneous State Grants	0	51,678
Race to the Top	0	9,525
Title VI-B	0	9,273
Title I	0	47,208
Title VI-R	0	200
Miscellaneous Federal Grants	0	6,869
Construction	0	208,135
Total Other Governmental Funds	0	332,888
Total	\$332,888	\$332,888

All interfund 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.

**Note 17 – Fund Balances**

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Prepays	\$46,584	\$0	\$0	\$46,584
Unclaimed Monies	325	0	0	325
Inventory	0	0	11,812	11,812
Total Nonspendable	46,909	0	11,812	58,721
<i>Restricted</i>				
Athletics	0	0	57,398	57,398
Facilities Maintenance	0	0	919,093	919,093
Food Service	0	0	224,747	224,747
Local Grants	0	0	7,590	7,590
State Grants	0	0	11,106	11,106
Federal Grants	0	0	7,990	7,990
Debt Service	0	2,174,526	0	2,174,526
Capital Projects	0	0	10,952	10,952
Total Restricted	0	2,174,526	1,238,876	3,413,402

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

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**Note 17 – Fund Balances (Continued)**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<i>Committed</i>				
Bus Purchase	\$1,978	\$0	\$0	\$1,978
Future Purchases	12,717	0	0	12,717
Employee Benefits	100,158	0	0	100,158
Total Assigned	114,853	0	0	114,853
<i>Assigned</i>				
Future Purchases	97,889	0	0	97,889
FY15 Appropriations in Excess of Estimated Resources	595,691	0	0	595,691
Public School Support	116,440	0	0	116,440
Total Assigned	810,020	0	0	810,020
<i>Unassigned</i>	12,836,346	0	(349,002)	12,487,344
Total Fund Balances	\$13,808,128	\$2,174,526	\$901,686	\$16,884,340

**Note 18 – Statutory Set-Asides**

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

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

	Capital Acquisition
Set-Aside Balance as of June 30, 2013	\$142,917
Current Year Set-Aside Requirement	369,431
Qualifying Disbursements	(716,279)
Totals	(\$203,931)
Set-Aside Balance as of June 30, 2014	\$0
Total Restricted Assets	\$0

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

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**Note 19 – Encumbrance Commitments**

At June 30, 2014, the District had encumbrance commitments in governmental funds as follows:

<i>Major Fund</i>	
General	\$162,957
<i>Nonmajor Funds</i>	
Athletics	6,067
Classroom Facilities Maintenance	23,622
Race to the Top	4,908
Title I	17,197
Title IV-R	2,086
Miscellaneous Federal Grants	22,328
Construction	<u>163,441</u>
Total Nonmajor Funds	<u>239,649</u>
Total Encumbrances	<u>\$402,606</u>

**Note 20 – Jointly Governed Organizations**

*South Central Ohio Computer Association*

The District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Gallia, Pickaway Jackson, Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA \$197,124 for services provided during fiscal year 2014. Financial information can be obtained from Sandra Benson, Chief Financial Officer, 175 Beaver Creek Road, Suite C, Piketon, Ohio 45661.

*Gallia-Vinton Educational Service Center*

The Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the Educational Service Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2014, the District made no contributions to the Educational Service Center. To obtain financial information, write to the Gallia-Vinton Educational Service Center, P.O. Box 178, Rio Grande, Ohio 45674.

*Gallia-Jackson-Vinton Joint Vocational School District*

The Gallia-Jackson-Vinton Joint Vocational School is a jointly governed organization providing vocational services to its six participating school districts. The Joint Vocational School is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the Joint Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2014, the District made no contributions to the Joint Vocational School. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, P.O. Box 157, Rio Grande, Ohio 45674.

**Note 20 – Jointly Governed Organizations (Continued)**

*State Support Team - Region 16*

The State Support Team - Region 16 (SST) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SST is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Superintendent of the District is on the SST Board and the District also has a local representative that serves as an alternate for the SST Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**Note 21 – Group Purchasing Pool**

*Workers' Compensation Group Retrospective Rating Program*

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Workers' Compensation Group Rating Program (the Program) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Program's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the Program.

**Note 22 – Contingencies**

*Grants*

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

*Litigation*

The District is not currently party to legal proceedings.

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

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**Note 23 – Restatement of Beginning Balances**

The District identified errors in previously reported fund balances and net position related to its retainage accounts. These errors required the restatement of such balances which had the following impact on beginning balances:

	Governmental Activities	General Fund	Other Governmental Funds
Net Position/Fund Balance, As Reported, June 30, 2013	\$67,353,743	\$12,772,002	\$967,016
Restatements for Retainage	237,756	178,381	59,375
Net Position/Fund Balance, As Restated, July 1, 2013	<u>\$67,591,499</u>	<u>\$12,950,383</u>	<u>\$1,026,391</u>

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**VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program / Cluster Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013/2014	10.555	73,875	73,875
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	342,755	342,755
National School Lunch Program	2013/2014	10.555	<u>653,757</u>	<u>653,757</u>
Total Child Nutrition Cluster			1,070,387	1,070,387
Fresh Fruits and Vegetable Program	2013/2014	10.582	<u>54,154</u>	<u>54,154</u>
Total U.S Department of Agriculture			1,124,541	1,124,541
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	169,864	128,802
	2014		<u>849,199</u>	<u>896,407</u>
Total Title I Grants to Local Educational Agencies			1,019,063	1,025,209
Special Education Cluster:				
Special Education - Grants to States	2013	84.027	85,589	77,005
	2014		<u>445,439</u>	<u>454,712</u>
Total Special Education - Grants to State			531,028	531,717
Special Education - Preschool Grants	2013	84.173		1,207
	2014		<u>19,026</u>	<u>19,026</u>
Total Special Education - Preschool Grants			19,026	20,233
Total Special Education Cluster			550,054	551,950
21st Century Grant	2014	84.287	158,445	165,314
Rural Education	2013	84.358	2,409	243
	2014		<u>35,966</u>	<u>35,966</u>
Total Rural Education			38,375	36,209
Improving Teacher Quality State Grants	2013	84.367	30,775	30,500
	2014		<u>139,635</u>	<u>139,835</u>
Total Improving Teacher Quality State Grants			170,410	170,335
Race to the Top - Stimulus	2013	84.395	23,771	266
	2014		<u>83,648</u>	<u>93,173</u>
Total Race to the Top - Stimulus			107,419	93,439
Total U.S. Department of Education			<u>2,043,766</u>	<u>2,042,456</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$3,168,307</u></b>	<b><u>\$3,166,997</u></b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.*

**VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

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



# 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

Vinton County Local School District  
Vinton County  
307 West High Street  
McArthur, Ohio 45651

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vinton County Local School District, Vinton County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 18, 2015.

### ***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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

***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 "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 18, 2015



# Dave Yost • Auditor of State

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

Vinton County Local School District  
Vinton County  
307 West High Street  
McArthur, Ohio 45651

To the Board of Education:

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 18, 2015

**VINTON COUNTY LOCAL SCHOOL DISTRICT  
VINTON COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies - CFDA #84.010</li> <li>• Special Education Cluster: Special Education - Grants to States, CFDA #84.027 and Special Education - Preschool Grants, CFDA #84.173</li> </ul>	
<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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# Dave Yost • Auditor of State

VINTON LOCAL SCHOOL DISTRICT

VINTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 7, 2015