

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

RHONDA MELCHI, TREASURER/CFO



Dave Yost • Auditor of State

Board of Education
Bowling Green City School District
137 Clough St
Bowling Green, OH 43402

We have reviewed the *Independent Auditor's Report* of the Bowling Green City School District, Wood County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 15, 2016

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**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2015

ELECTED OFFICIALS

Board of Education	Title	Term of Office
Lee Hakel	President	1/1/12 – 12/31/15
Paul Walker	Vice President	1/1/12 – 12/31/15
Stephen Cernkovich, Ph.D	Member	1/1/12 – 12/31/15
Ellen Scholl	Member	1/1/14 – 12/31/17
Edward Whipple, Ph.D.	Member	1/1/14 – 12/31/17

ADMINISTRATIVE PERSONNEL

Administrative	Title	Term of Contract
Ann F. McVey, E.D. ¹	Superintendent	8/1/14 – 7/1/15 (retirement date)
Francis Scruci	Superintendent	7/1/15 – 7/31/18
Rhonda Melchi, CPA ²	Treasurer	8/1/14 – 7/31/19

LEGAL COUNSEL

External:

Bricker & Eckler, LLP
Attorneys at Law
100 South Third Street
Columbus, Ohio 43215

¹ Surety: Buckeye Union Insurance Company
Bond: \$5,000

² Surety: Buckeye Union Insurance Company
Bond: \$25,000

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

INDEX OF FUNDS PER GASB 54 CLASSIFICATIONS

GOVERNMENTAL FUNDS

General Fund

General Fund
Public School Support Fund
Severance Benefits Fund (H.B. 426)

Special Revenue Funds

Tributes Fund
Other Local Grants Fund
District-Managed Activity Fund
Auxiliary Services Fund
Network Connectivity Fund
IDEA - Special Education, Part B Fund
Title III – Immigrant Fund
Title I – Targeted Assistance Grant Fund
Title II-A Grant Fund
Early Childhood Special Education – IDEA Fund

Debt Service Funds

Bond Retirement Fund

Capital Projects Funds

Permanent Improvement Fund
Construction Fund

Permanent Fund

Memorials Fund

PROPRIETARY FUNDS

Enterprise Funds

Food Service Fund
Performing Arts Center Operations Fund

FIDUCIARY FUNDS

Agency Funds:

Student-Managed Activity Fund
District Agency Fund



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Bowling Green City School District
Wood County
137 Clough Street
Bowling Green, Ohio 43402

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Bowling Green City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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 whether due to fraud or error.

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 Bowling Green City School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Bowling Green City School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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 fiscal year ended June 30, 2015, the Bowling Green City School District adopted the provisions of Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. 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, Required Budgetary Comparison Schedule, Schedules of the district's proportionate share of the net pension liability - School Employees Retirement System of Ohio and State Teachers Retirement System of Ohio, and Schedules of district contributions - School Employees Retirement System of Ohio and State Teachers Retirement System of Ohio*, as 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 Information

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

The Schedule of Receipts and Expenditures of Federal Awards (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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the 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 November 16, 2015, on our consideration of the Bowling Green City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bowling Green City School District's internal control over financial reporting and compliance.



BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

The Management's Discussion and Analysis is required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The purpose of this supplementary information is to provide a narrative overview of the accompanying financial statements although readers should also review the basic financial statements and notes to gain a complete understanding of the District's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

These basic financial statements include two kinds of statements that present different views of the District:

Government-wide Statements – These financial statements provide both long-term and short-term information about the District's overall financial status.

Fund Financial Statements – These statements focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting similar to that used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities plus deferred inflows and outflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide statements report the District's net position and how they have changed. Net position (the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional nonfinancial factors such as property tax base, current property tax laws, and student enrollment growth and facility conditions.

The Government-wide financial statements of the District fall into two categories:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, non-instructional and extracurricular activities.
- Business-type Activities – The District operates a food service program and opens its Performing Arts Center to outside groups for use. These activities are intended to be self-supporting.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds rather than the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

Governmental Funds – Most of the District's activities are reported in Governmental Funds, which focus on (a) how money flows into and out of those funds and (b) the balances left at year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Government-wide statements) and governmental funds is reconciled in the financial statements. For the fiscal year ended June 30, 2015, two funds were considered "major" for reporting purposes due to their level of activity and are reported separately from all other Governmental funds in the fund financial statements. These two funds are the General Fund and Bond Retirement Fund. The District implemented Governmental Accounting Standard Board (GASB) Statement 54 in a prior fiscal year. In accordance with GASB 54, certain reclassifications of funds were made to include their activity as part of the General Fund rather than inclusion in other governmental funds.

Proprietary Funds – The District uses enterprise funds to report activities for which fees are charged. These enterprise funds are the same as business-type activities, but provide more detail and additional information such as cash flows.

Fiduciary Funds – The District is the agent, or fiduciary, for various student-managed activity programs and other similar programs listed as agency funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position – The following table shows a comparative analysis of net position for the fiscal years ended June 30, 2015 and 2014:

	Governmental Activities			Business-type Activities		
	2015	2014 (restated)	Increase/ (Decrease)	2015	2014 (restated)	Increase/ (Decrease)
Current and other assets	\$ 31,882,472	\$ 29,305,056	\$ 2,577,416	\$ 389,190	\$ 410,905	\$ (21,715)
Capital assets, net	32,150,772	32,980,500	(829,728)	87,382	90,404	(3,022)
Total assets	64,033,244	62,285,556	1,747,688	476,572	501,309	(24,737)
Deferred outflows	4,525,686	2,292,774	2,232,912	74,098	55,602	18,496
Long-term obligations outstanding	68,402,019	75,160,042	(6,758,023)	884,736	892,309	(7,573)
Other liabilities	1,984,504	2,188,568	(204,064)	76,467	75,619	848
Total liabilities	70,386,523	77,348,610	(6,962,087)	961,203	967,928	(6,725)
Deferred inflows	21,224,928	13,891,896	7,333,032	132,229	-	132,229
Net position						
Invested in capital assets, net of related debt	4,705,163	6,532,857	(1,827,694)	87,382	90,404	(3,022)
Restricted	2,485,250	2,177,314	307,936	-	-	-
Unrestricted	(30,242,934)	(35,372,147)	5,129,213	(630,144)	(501,421)	(128,723)
Total net position	\$ (23,052,521)	\$ (26,661,976)	\$ 3,609,455	\$ (542,762)	\$ (411,017)	\$ (131,745)

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

During fiscal year 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, the GASB believes many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, because District employees participate in one of two of Ohio's statewide pension systems, the nature and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, for governmental activities from \$17,541,859 to a deficit balance of \$26,662,176 and for business-type activities from \$354,371 to a deficit balance of \$411,017. This deficit net position will likely continue to prevail as long as GASB 68 is in effect.

The District purchased new busses, renovated the high school office and replaced a roof in fiscal year 2015, however, depreciation on existing facilities and furniture and equipment outpaced any additions to capital assets. These activities account for the changes in Net Capital Assets.

As a result of cost-saving measures implemented over the last several years coupled with an increase in state funding, the District's cash and investments balances increased accounting for over half of the increase in current assets. Taxes receivable were lower at June 30, 2015 than a year ago.

In addition to the effects of the implementation of GASB 68, long-term liabilities were affected by a refunding bond issue to advance refund 2007 Facilities Construction and Improvement General Obligation Bonds. Also adding to the reduction in long-term liabilities was the high number of retirements as a result of changes in the State Teachers Retirement System benefits. Timing of pay periods resulted in less wages and benefits accrued at year-end leading to a decrease in other liabilities.

Changes in Net Position - The following table shows the changes in net position for the fiscal year ending June 30, 2015 as compared with 2014:

	Governmental Activities			Business-type Activities		
	2015	2014	Increase/ (Decrease)	2015	2014	Increase/ (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,257,694	\$ 949,070	\$ 308,624	\$ 464,013	\$ 501,333	\$ (37,320)
Operating grants	2,939,869	2,638,519	301,350	683,792	631,219	52,573
General revenues						
Property and income taxes	20,224,042	21,889,109	(1,665,067)	-	-	-
Unrestricted grants	10,912,880	10,219,714	693,166	-	-	-
Other	78,145	66,873	11,272	2,354	642	1,712
Total revenues	<u>35,412,630</u>	<u>35,763,285</u>	<u>(350,655)</u>	<u>1,150,159</u>	<u>1,133,194</u>	<u>16,965</u>
Expenses						
Instruction	19,430,434	20,068,217	(637,783)	-	-	-
Support services	10,115,540	10,331,251	(215,711)	-	-	-
Noninstructional	664,204	556,575	107,629	-	-	-
Extracurricular Activities	839,903	806,033	33,870	-	-	-
Interest and Fiscal Charges	693,056	1,159,343	(466,287)	-	-	-
Other	22,250	749	21,501	-	-	-
Food Service	-	-	-	1,265,198	1,092,188	173,010
Performing Arts Center	-	-	-	54,294	46,068	8,226
Total expenses	<u>31,765,387</u>	<u>32,922,168</u>	<u>(1,156,781)</u>	<u>1,319,492</u>	<u>1,138,256</u>	<u>181,236</u>
Transfers/Capital Contribution	(37,588)	(40,000)	2,412	37,588	40,000	(2,412)
Change in Net Position	<u>3,609,655</u>	<u>2,801,117</u>	<u>808,538</u>	<u>(131,745)</u>	<u>34,938</u>	<u>(166,683)</u>
Beginning net position - restated	(26,662,176)	14,740,742	(41,402,918)	(411,017)	319,433	(730,450)
Cumulative effect of change in accounting principle	-	(41,402,918)	-	-	(730,450)	-
Ending net assets	<u>\$ (23,052,521)</u>	<u>\$ (26,662,176)</u>	<u>\$ 3,609,655</u>	<u>\$ (542,762)</u>	<u>\$ 354,371</u>	<u>\$ (897,133)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,348,376 computed under GASB 27. GASB 27 required

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,680,914.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Total 2015 program expenses under GASB 68	\$ 31,765,387	\$ 1,319,492
Pension expense under GASB 68	(1,513,635)	(167,279)
2015 contractually required contributions	<u>2,404,140</u>	<u>59,824</u>
Adjusted 2015 program expenses	32,655,892	1,212,037
Total 2014 program expenses under GASB 27	<u>32,922,168</u>	<u>1,138,256</u>
Increase (decrease) in program expenses not related to pension	<u>\$ (266,276)</u>	<u>\$ 73,781</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home with an assessed value of \$100,000 and taxed at 1.0 mill would have paid \$35 in taxes at the time the levy was voted in. If during the County's reappraisal the home's assessed value was increased to \$200,000 (and this increase is comparable to increases for other property owners in the neighborhood) the effective tax rate would become 0.5 mills and the owner would continue to pay \$35 in property tax. However, the effective total millage cannot be reduced below 20 mills according to state statute. This maintenance of the amount of property taxes generated coupled with the state funding method cause school districts to regularly return to voters in order for revenues to keep pace with expenses. In addition to property taxes, residents of the school district pay .5% (one-half percent) of their income in school district income tax. Since the District must rely heavily on voter approval of operating tax issues, management of District resources is of utmost concern to both the administration and the voting public. The District uses a five-year financial forecast to determine whether current tax levies can sustain operations. The last forecast in the fiscal year ended June 30, 2015 indicated that the District would not need to seek any new tax levies until fiscal year 2019 based upon the assumptions used in formulating the forecast. Coupled with increased funding from the State of Ohio and steps taken by the District to reduce expenditures, the need to place additional tax levies on the ballot after defeat of an additional income tax in November, 2012 and a property tax levy and May, 2013, respectively, has been postponed. However, taxpayers renewed two levies in May, 2015. These were a 4.2 mill operating levy and a \$1,000,000 emergency levy.

Property and income taxes made up 57.2% of revenues for governmental activities of the Bowling Green City School District in fiscal year 2015 and 61.9% in fiscal year 2014. Tax revenues decreased in fiscal year 2015 because receivables at June 30, 2014 were higher than those at June 30, 2015. This is basically a timing issue.

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

The following table demonstrates the District's reliance upon tax revenues:

Revenue Source	2015		2014	
	Amount	% of Total	Amount	% of Total
General tax revenues	\$ 20,224,042	57.2%	\$ 21,889,109	61.9%
Unrestricted grants	10,912,880	30.8%	10,219,714	28.9%
Program revenues	4,197,563	11.9%	3,587,589	10.1%
Other revenues	42,774	0.1%	66,873	0.2%
Total Revenue	<u>\$ 35,377,259</u>	<u>100.0%</u>	<u>\$ 35,763,285</u>	<u>101.1%</u>

Unrestricted grants rose because the District saw an increase in basic aide from the State of Ohio in 2015. Program revenues increased as the District used grant allocations carried over from previous years.

Business-type Activities

Business-type activities account for the District's food service program. The District continued accounting for the usage of the Performing Arts Center (PAC) by outside groups as a business-type activity. The PAC operations were supported largely by a transfer from the General Fund in both fiscal years 2015 and 2014. An increase in federal support for the lunch program directly affected student lunch sales. One entire elementary building qualified for free lunch for all students.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Moving away from the entity-wide statements to the fund statements, the District's Governmental Funds reported a combined fund balance of \$15,496,559. This was a 19.3% increase from June 30, 2014. The following schedule indicates the fund balance and total change in fund balance by fund type as of June 30, 2015 and 2014.

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)
General Fund	\$ 13,332,865	\$ 11,144,748	\$ 2,188,117
Other Governmental	2,163,694	1,846,415	317,279
Total	<u>\$ 15,496,559</u>	<u>\$ 12,991,163</u>	<u>\$ 2,505,396</u>

The General Fund balance rose 19.6% as a result of savings from reduced operating costs compounded with an upturn in revenue. This trend continued for another year. The District has been analyzing staffing levels to reduce staffing where possible and has also experienced a turnover in employees from those with longevity to those in the beginning stages of their careers. The increase in Other Governmental Funds balance points to the advance refunding bond issue and the resulting savings in interest cost on debt service.

Budgetary Highlights

A supplementary schedule is included after the Notes to the Financial Statements to present budgetary information for the General Fund of the District. Only one amendment was made to the General Fund appropriations in fiscal year 2015 for additional needs for special education. Budgeted revenues were revised mainly due to changes in tax information contained in the Certificate of Estimated Resources.

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS ADMINISTRATION

Capital Assets

At June 30, 2015, the District had net capital assets in the amount of \$32,238,154 invested in land, buildings and improvements, furniture and equipment, and vehicles. While the District purchased three much-needed busses to replace three that were poor condition, renovated the High School office and replaced a roof, net capital assets still decreased \$832,750. This occurred because depreciation grew at a faster pace than investments in capital assets. The District owns no infrastructure. The following table presents comparative balances for fiscal years 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	Total	Total
	2015	2014	2015	2014	2015	2014	Increase (Decrease)
Land	\$ 278,664	\$ 278,664	\$ -	\$ -	\$ 278,664	\$ 278,664	\$ -
Construction in Progress	-	-	-	-	-	-	-
Buildings & Improvements	45,037,269	44,651,625	-	-	45,037,269	44,651,625	385,644
Furniture & Equipment	4,133,387	4,115,081	318,532	309,254	4,451,919	4,424,335	27,584
Vehicles	2,224,860	2,151,963	20,102	20,102	2,244,962	2,172,065	72,897
Accumulated depreciation	(19,523,408)	(18,216,833)	(251,252)	(238,952)	(19,774,660)	(18,455,785)	(1,318,875)
Net Capital Assets	\$ 32,150,772	\$ 32,980,500	\$ 87,382	\$ 90,404	\$ 32,238,154	\$ 33,070,904	\$ (832,750)

Long-term Obligations

At June 30, 2015, the District's governmental activities had long-term liabilities totaling \$68,402,019. The implementation of GASB 68 for pension accounting, discussed in several other sections, accounts for over half of these liabilities.

On April 30, 2015, the District issued \$23,230,000 in refunding bonds and placed the proceeds, including premium, into an escrow account for the purpose of advance refunding most of the general obligation bonds issued in 2007. This generated a cost savings in debt service for taxpayers in the amount of \$2,270,871.98 over the term of the bonds. The long-term liability balance also includes the remaining \$312,500 outstanding principal of a permanent improvement levy tax anticipation note (TAN) in the amount of \$1,250,000 for the Crim Elementary addition/renovation project in 2012. Detailed information regarding the District's long-term obligations is included in Note 10 of the notes to the financial statements.

Under current state statutes, the District's debt issues are subject to a legal limitation of 9% of the total assessed value of real and personal property. At June 30, 2015, the District's outstanding debt was within the legal limit.

ECONOMIC FACTORS

As noted previously, the latest five-year forecast in May, 2015 projected a positive cash balance through fiscal year 2019. However, the long term financial stability of the District is not without challenges.

While we are putting the Great Recession behind us, there are still some lingering effects with respect to interest rates. Accordingly, interest earnings are still falling behind pre-recession levels.

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

In Ohio, property revaluations are performed every six years with an update every three years. Wood County completed a triennial update in 2014. Agricultural property valuations saw significant increases. The District will see additional tax revenue from inside/unvoted millage as a result. These increased values will make it harder for the District to gain approval from these taxpayers on additional property tax levies.

State foundation funding had remained flat for years for Bowling Green City School District. Assessed local property values factor into this funding. Because property values in the District had increased over the years, the foundation formula assumed that property taxes also increased thereby reducing the District's need for state funding. However, as discussed in the Financial Analysis section of this narrative, property taxes do not actually grow with increased property values. State foundation funding declined beginning in fiscal year 2010. Finally, in 2014 a new funding formula was developed and Bowling Green City Schools actually saw an increase that brought our state foundation funding back up to the 1998 level that had been received prior to 2010. An additional increase was realized in fiscal year 2015.

Significant changes were implemented in the tax structure by the Ohio General Assembly beginning in fiscal year 2006. To summarize, tangible personal property tax was phased out and replaced with "hold harmless" TPP reimbursement payments to replace these revenues. While these reimbursements were scheduled to be phased out, and were at a rate of 2% of the District's total revenues for each of fiscal year 2012 and 2013. The state biennial budget for 2014 and 2015 sustained the reimbursement amount from 2013. The state budget bill for fiscal years 2016 and 2017 as passed by the General Assembly reinstated a phase-out of the reimbursement but also contained provisions for school districts that provided a supplement such that no school district would receive less overall state funding than it had in 2015. However, Governor John Kasich vetoed that supplement provision. As a result, Bowling Green City Schools funding was projected to drop \$1,112,000 in fiscal year 2017 and continue at that reduced rate thereafter. This significant loss of revenue would have a devastating effect. Multiple school districts worked with legislators to find a remedy to this revenue loss. As a result, Senate Bill 208 was passed by the legislature in late October, 2015 which will restore approximately two-thirds of this reduction in 2017.

Funding provided by each biennial state budget is subject to change and poses a challenge for all school districts in projecting future cash flows.

The Board of Education and the Administration of the Bowling Green City School District have committed themselves to providing a sound educational program for the citizens of the District while maintaining fiscal integrity. Accordingly, facilities, programs and operational practices have been and will continue to be under constant review to determine what, if any, changes are needed. Of note, since fiscal year 2005, the District had closed three of its six elementary buildings as of June 30, 2013. In conjunction with these closures, the number of staff members had been reduced.

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 demonstrate the District's accountability for the money it receives. Inquiries about this report may be directed to Rhonda Melchi, Treasurer, Bowling Green City School District, 137 Clough Street, Bowling Green, Ohio 43402.

Bowling Green City School District, Wood County
Statement of Net Position
As of June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,462,304	\$ 361,317	\$ 9,823,621
Cash in segregated accounts	4,000	-	4,000
Investments	2,827,361	-	2,827,361
Receivables			
Property taxes - current	17,843,229	-	17,843,229
Property taxes - delinquent	169,114	-	169,114
School district income tax	1,242,946	-	1,242,946
Accounts	7,769	-	7,769
Accrued interest	10,075	-	10,075
Intergovernmental	107,723	6,756	114,479
Materials & supplies inventory	76,518	16,287	92,805
Prepaid items	131,433	4,830	136,263
Nondepreciable capital assets	278,664	-	278,664
Depreciable capital assets, net	31,872,108	87,382	31,959,490
Total assets	<u>64,033,244</u>	<u>476,572</u>	<u>64,509,816</u>
Deferred outflow of resources:			
Deferred charges on refunding bonds	1,760,267	-	1,760,267
Pension - STRS	2,205,650	-	2,205,650
Pension - SERS	559,769	74,098	633,867
Total deferred outflow of resources	<u>4,525,686</u>	<u>74,098</u>	<u>4,599,784</u>
Liabilities			
Accounts payable	33,775	212	33,987
Accrued wages and benefits	1,696,943	39,339	1,736,282
Intergovernmental payables	170,638	36,916	207,554
Accrued interest payable	83,148	-	83,148
Long-term liabilities			
Due within one year	1,862,939	-	1,862,939
Due in more than one year	27,536,111	70,025	27,606,136
Net pension liability	39,002,969	814,711	39,817,680
Total liabilities	<u>70,386,523</u>	<u>961,203</u>	<u>71,347,726</u>
Deferred inflow of resources:			
Property taxes levied for the next fiscal year	14,107,929	-	14,107,929
Accrued interest not available	10,265	-	10,265
Intergovernmental revenue received for the next fiscal year	30,754	-	30,754
Pension - STRS	6,077,061	-	6,077,061
Pension - SERS	998,919	132,229	1,131,148
Total deferred inflows of resources	<u>21,224,928</u>	<u>132,229</u>	<u>21,357,157</u>
Net position			
Net investment in capital assets	4,705,163	87,382	4,792,545
Restricted for:			
Debt service	1,349,955	-	1,349,955
Capital projects	620,637	-	620,637
Other purposes	514,658	-	514,658
Unrestricted/undesignated	(30,242,934)	(630,144)	(30,873,078)
Total net position	<u>\$ (23,052,521)</u>	<u>\$ (542,762)</u>	<u>\$ (23,595,283)</u>

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

Bowling Green City School District, Wood County
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
Instruction	\$ 19,430,434	\$ 647,829	\$ 2,367,180	\$ (16,415,425)	\$ -	\$ (16,415,425)
Support services	10,115,540	329,310	81,607	(9,704,623)	-	(9,704,623)
Non-instructional	664,204	-	491,082	(173,122)	-	(173,122)
Extracurricular activities	839,903	280,555	-	(559,348)	-	(559,348)
Interest and fiscal charges	693,056	-	-	(693,056)	-	(693,056)
Miscellaneous	22,250	-	-	(22,250)	-	(22,250)
Total governmental activities	<u>31,765,387</u>	<u>1,257,694</u>	<u>2,939,869</u>	<u>(27,567,824)</u>	<u>-</u>	<u>(27,567,824)</u>
Business-type activities						
Food service	1,265,198	459,463	683,792	-	(121,943)	(121,943)
Performing Arts Center operations	54,294	4,550	-	-	(49,744)	(49,744)
Total business-type activities	<u>1,319,492</u>	<u>464,013</u>	<u>683,792</u>	<u>-</u>	<u>(171,687)</u>	<u>(171,687)</u>
Totals	<u>33,084,879</u>	<u>1,721,707</u>	<u>3,623,661</u>	<u>(27,567,824)</u>	<u>(171,687)</u>	<u>(27,739,511)</u>
General Revenues						
Property taxes levied for:						
General purposes				14,943,854	-	14,943,854
Debt service				1,483,177	-	1,483,177
Capital outlay				463,201	-	463,201
Income taxes levied for general purposes				3,333,810	-	3,333,810
Grants & entitlements not restricted to specific programs				10,912,880	-	10,912,880
Payment in lieu of taxes				15,832	-	15,832
Investment earnings				19,539	340	19,879
Miscellaneous				42,774	2,014	44,788
Total general revenues				<u>31,215,067</u>	<u>2,354</u>	<u>31,217,421</u>
Transfers				<u>(37,588)</u>	<u>37,588</u>	<u>-</u>
Change in net position				3,609,655	(131,745)	3,477,910
Net position beginning of year (restated)				(26,662,176)	(411,017)	(27,073,193)
Net position end of year				<u>\$ (23,052,521)</u>	<u>\$ (542,762)</u>	<u>\$ (23,595,283)</u>

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

Bowling Green City School District, Wood County
 Balance Sheet
 Governmental Funds
 As of June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 7,717,169	\$ 1,056,971	\$ 688,164	\$ 9,462,304
Cash in segregated accounts	4,000	-	-	4,000
Investments	2,740,841	-	86,520	2,827,361
Receivables:				
Property taxes	16,064,135	1,482,864	465,344	18,012,343
School district income taxes	1,242,946	-	-	1,242,946
Accounts	7,769	-	-	7,769
Intergovernmental	-	-	107,723	107,723
Accrued interest	9,867	-	208	10,075
Interfund receivable	25,000	-	-	25,000
Materials and supplies inventory	76,518	-	-	76,518
Prepaid items	131,392	-	41	131,433
Total assets	\$ 28,019,637	\$ 2,539,835	\$ 1,348,000	\$ 31,907,472
Liabilities:				
Accounts payable	\$ 30,935	\$ -	\$ 2,840	\$ 33,775
Accrued wages and benefits	1,596,070	-	100,873	1,696,943
Compensated absences payable	166,495	-	-	166,495
Interfund payables	-	-	25,000	25,000
Intergovernmental payable	166,937	-	3,701	170,638
Total liabilities	1,960,437	-	132,414	2,092,851
Deferred inflows of resources:				
Property taxes levied for next fiscal year	12,563,569	1,177,478	366,882	14,107,929
Delinquent property tax revenue not available	152,501	12,402	4,211	169,114
Accrued interest not available	10,265	-	-	10,265
Intergovernmental revenue received for next fiscal year	-	-	30,754	30,754
Total deferred inflows of resources	12,726,335	1,189,880	401,847	14,318,062
Fund balances:				
Nonspendable	207,910	-	63,188	271,098
Restricted	-	1,349,955	777,753	2,127,708
Committed	510,088	-	2,175	512,263
Assigned	285,223	-	-	285,223
Unassigned	12,329,644	-	(29,377)	12,300,267
Total fund balances	13,332,865	1,349,955	813,739	15,496,559
Total liabilities, deferred inflows of resources and fund balances	\$ 28,019,637	\$ 2,539,835	\$ 1,348,000	\$ 31,907,472

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

***Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
As of June 30, 2015***

Total Governmental Fund Balances	\$ 15,496,559
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Delinquent property taxes are not available to pay for current period expenditures, and are, therefore, deferred in the funds	169,114
Capital assets used in governmental activities are not resources and therefore are not reported in the funds	32,150,772
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(29,315,703)
Unamortized deferred charges on debt refundings are not recognized in the funds	1,760,267
Net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds	<u>(43,313,530)</u>
Net Position of Governmental Activities	<u><u>\$ (23,052,521)</u></u>

Bowling Green City School District, Wood County
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 14,981,005	\$ 1,488,368	\$ 464,357	\$ 16,933,730
School district income taxes	3,333,810	-	-	3,333,810
Tuition and fees	773,691	-	-	773,691
Intergovernmental	11,599,020	169,083	2,084,646	13,852,749
Interest	18,346	936	257	19,539
Extracurricular activities	39,822	-	225,361	265,183
Gifts and donations	-	-	11,566	11,566
Miscellaneous	101,967	-	32,195	134,162
Total Revenues	30,847,661	1,658,387	2,818,382	35,324,430
Expenditures:				
Current:				
Instruction	17,828,927	-	1,456,064	19,284,991
Support services	10,180,678	17,143	90,414	10,288,235
Non-instructional services	159,071	-	495,032	654,103
Extracurricular activities	582,677	-	242,929	825,606
Capital outlay	-	-	387,431	387,431
Debt service				
Principal	-	450,000	312,500	762,500
Interest and fiscal charges	-	985,172	11,719	996,891
Total expenditures	28,751,353	1,452,315	2,996,089	33,199,757
Excess (deficiency) of revenues over expenditures	2,096,308	206,072	(177,707)	2,124,673
Other financing sources (uses)				
Operating transfers (out)	(37,588)	-	-	(37,588)
Proceeds from insurance	25,000	-	-	25,000
Proceeds from sale of refunding bonds	-	23,230,000	-	23,230,000
Premium on sale of refunding bonds	-	2,868,109	-	2,868,109
Payment to refunding bond escrow agent	-	(25,811,196)	-	(25,811,196)
Other financing sources	104,697	-	2,001	106,698
Other financing (uses)	(300)	-	-	(300)
Total other financing sources (uses)	91,809	286,913	2,001	380,723
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	2,188,117	492,985	(175,706)	2,505,396
Fund balance July 1	11,144,748	856,970	989,445	12,991,163
Fund balance June 30	\$ 13,332,865	\$ 1,349,955	\$ 813,739	\$ 15,496,559

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

**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, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 2,505,396

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

Certain property taxes reported on the statement of activities do not provide current financial resources so are not reported as revenue in governmental funds (43,498)

The net effect of various miscellaneous transactions involving capital assets (i.e., purchases, sales, disposals, trade-ins, and donations) is to increase net position. (829,728)

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of these funds. However, neither transaction has any effect on net assets. Also governmental funds report the effect of premiums and similar items when debt is issued while these amounts are deferred and amortized in the statement of net activities. 762,300

Some expenses reported in the statement of activities, such as compensated absences payable and accrued interest, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 324,680

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 2,404,140

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,513,635)

Change in Net Position of Governmental Activities \$ 3,609,655

Bowling Green City School District, Wood County
Statement of Net Position
Proprietary Funds
As of June 30, 2015

	Business-Type Activities - Enterprise Funds
Assets:	
Cash and cash equivalents	\$ 361,317
Receivables (net of allowances for uncollectibles)	
Intergovernmental - federal	6,756
Materials and supplies inventory	16,287
Prepaid items	4,830
Total current assets	389,190
Capital assets, net	87,382
Total assets	476,572
Deferred outflows of resources:	
Pension - SERS	74,098
Total deferred outflows of resources	74,098
Liabilities:	
Accounts payable	212
Accrued wages and benefits	39,339
Intergovernmental payable	36,916
Compensated absences payable	70,025
Net pension liability	814,711
Total liabilities	961,203
Deferred inflows of resources:	
Pension - SERS	132,229
Total deferred inflows of resources	132,229
Net position	
Invested in capital assets	87,382
Unrestricted	(630,144)
Total net position	\$ (542,762)

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

Bowling Green City School District, Wood County
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	<u>Business-Type Activities- Enterprise Fund</u>
Operating revenues:	
Sales	\$ 459,463
Other operating revenues	4,924
Total operating revenues	<u>464,387</u>
Operating expenses:	
Salaries and wages	426,708
Fringe benefits	302,068
Purchased services	17,496
Materials and supplies	435,243
Cost of sales	122,545
Depreciation	12,300
Other operating expenses	2,868
Total operating expenses	<u>1,319,228</u>
Operating income (loss)	(854,841)
Nonoperating revenues (expenses):	
Interest revenue	340
Other nonoperating revenue	1,640
Federal and state subsidies	561,247
Federal donated commodities	122,545
Other nonoperating expense	(264)
Total nonoperating revenues (expenses)	<u>685,508</u>
Change in net position before transfers	(169,333)
Operating transfers-in	<u>37,588</u>
Change in net position	(131,745)
Net position at July 1 restated	<u>(411,017)</u>
Net position at June 30	<u><u>\$ (542,762)</u></u>

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

Bowling Green City School District, Wood County
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities- Enterprise Funds
Cash flows from operating activities:	
Cash received from sales	\$ 459,463
Cash received from other revenues	7,024
Cash payments for employee services	(427,313)
Cash payments for employee benefits	(193,818)
Cash payments for contract services	(17,866)
Cash payments for supplies and materials	(425,323)
Cash payments for other expenses	(6,368)
Net cash provided by (used for) operating activities	(604,201)
Cash flows from noncapital financing activities:	
Federal and state subsidies	554,491
Operating transfers in	37,588
Other non-operating income	1,640
Other non-operating expense	(264)
Net cash provided by noncapital financing activities	593,455
Cash flows from investing activities:	
Interest on investments	340
Net cash provided by investing activities	340
Cash flows from capital and related financing activities:	
Acquisition/Disposition of capital assets	(9,278)
Net cash used for capital and related financing activities	(9,278)
Net increase (decrease) in cash and cash equivalents	(19,684)
Cash and cash equivalents at beginning of year	381,001
Cash and cash equivalents at end of year	\$ 361,317
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (854,841)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Depreciation	12,300
Other adjustments to non-operating income	
Other adjustments to non-operating income	122,545
Changes in assets and liabilities:	
Materials and Supplies inventory	10,036
Receivables	2,100
Prepayments	(3,349)
Deferred outflows	(18,496)
Accounts payable	(250)
Accrued wages and benefits	8,546
Compensated absences payable	(1,294)
Intergovernmental payable	(7,448)
Pension liability	(6,279)
Deferred inflows	132,229
Net cash provided by (used for) operating activities	\$ (604,201)

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

Bowling Green City School District, Wood County
Statement of Net Position
Fiduciary Fund
As of June 30, 2015

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ 93,623
Total assets	<u>93,623</u>
Liabilities:	
Due to students	88,334
Other current liabilities	5,289
Total liabilities	<u>93,623</u>
Net position	<u>\$ -</u>

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1- DESCRIPTION OF THE SCHOOL DISTRICT

Bowling Green City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.02, Ohio Revised Code. The District operates under an elected five member Board of Education and is responsible for provision of public education to residents of the District. The District is located in Wood County in northwest Ohio. Its boundaries include all of the City of Bowling Green and portions of surrounding townships.

The District serves 3,046 students and encompasses an area of approximately one hundred fifty square miles. The District regularly employs 227 licensed/certificated employees and 108 non-certificated/licensed employees. In addition, the District employed substitute employees to cover the duties of absent bus drivers while contracting with an employment service for all other substitute employees and certain paraprofessionals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (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 District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity as amended by GASB Statement No. 39 determining whether certain organizations are component units and GASB Statement No. 61 The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34. The financial statements of the reporting entity include those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organization:

Penta Career Center: an Ohio Vocational School District

The Penta Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District. One member of the Bowling Green City Board of Education serves as a member of the Penta Career Center Board of Education.

The District also participates in two insurance group purchasing pools, described in Note 11.

Non-public Schools

Non-public schools located within the District boundaries include: St. Aloysius and St. Louis Elementary Schools, the Montessori School of Bowling Green, Bowling Green Christian Academy and Plan, Do and Talk Primary. These non-public schools are operated independently of the District. The District receives and disburses auxiliary services money from the State for support of these non-public schools as directed by these non-public schools. The receipt and expenditure of these auxiliary services monies are accounted for by the District and are reflected in a Special Revenue Fund for financial reporting purposes, but the non-public schools' operations are not reflected in the accompanying financial statements.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major Governmental Funds:

General Fund - The General Fund is the general 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 balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and 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 and capital projects of the District whose uses are restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary Funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the Proprietary Funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net position. The following are the District's Proprietary Funds:

Enterprise Funds – The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's enterprise funds account for its food service operation and its Performing Arts Center operations.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The District's only Fiduciary Funds are Agency Funds that are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District's Agency Funds account for student activities and other similar activities.

C. Basis of Presentation and Measurement Focus – Financial Statements

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 government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which Governmental Fund 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.

The government-wide statement of activities presents direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program 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

Fund financial statements report detailed information about the District. The focus of Governmental and Enterprise Fund financial statements is on major funds rather than reporting funds by type. The major funds are presented in separate columns. Nonmajor funds are aggregated and presented in a single column. The Enterprise funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a flow of current financial resources measurement focus. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets plus deferred outflows and current liabilities plus deferred inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus– Financial Statements (Continued)

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's enterprise funds are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets, deferred outflows, liabilities, deferred inflows, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by the Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined while "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after the June 30 year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, student fees, property taxes available as an advance and income taxes.

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The District reports deferred inflows of resources on its balance sheet. Deferred inflows of resources arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the deferred inflow of resources is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, have been recorded as deferred inflows of resources.

On the governmental fund financial statements, receivables that will not be collected within the available period, including accrued interest and delinquent property taxes due at June 30, 2015, have also been reported as deferred inflow of resources.

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

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, Proprietary Funds and the Fiduciary Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. Grants received before eligibility requirements are met are recorded as deferred inflows on the governmental fund financial statements. The Proprietary Funds receive no revenue from property taxes.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except agency) while GASB requires only the general and any major special revenue funds to be reported in the supplementary schedules presenting budgetary information. The specific timetable for fiscal year 2015 is as follows:

1. Pursuant to Section 5705.281, ORC, the Wood County Budget Commission has waived the requirement for school districts to adopt a tax budget. In place of the tax budget, the District must submit an estimate of revenues for the fiscal year commencing the following July 1 for all funds by no later than January 20 of the preceding fiscal year.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must prepare a budget in which total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. This budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary schedule reflect the amounts set forth in the Amended Official Certificate of Estimated Resources and the final Amended Certificate issued for fiscal year 2015.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets (Continued)

3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. While the District uses an expenditure account coding system consisting of a minimum of fund number, a four digit function, and a three digit object, the Board adopted appropriation is at the fund and first digit of function level of expenditures for the General Fund and at the fund level for all other district funds. These are considered the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation or alter first digit function appropriations within the General Fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2015.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, first digit function level for the General fund and the fund level for all other funds.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Funds, encumbrances outstanding at year-end appear as a commitment or assignment of the fund balance on the balance sheet and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance.

F. Cash and Investments

Cash received by the District is deposited in a central bank account with individual fund balance integrity maintained. Monies for all funds are maintained in this account or temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired by the District) which are stated at cost. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings are credited to the General Fund except those specified according to Board Resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest revenue credited to the General fund during fiscal year 2015 amounted to \$18,346 while interest in the amount of \$1,533 was credited to other District funds.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

For purposes of presentation in the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time of purchase by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 5.

G. Inventory

Inventories for all Governmental Funds are valued at cost (first-in/first out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance classification of nonspendable which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary Funds are valued at the lower of cost (first-in/first-out method) or fair value and expensed when used rather than when purchased.

H. Prepaids

Prepayments for Governmental Funds represent cash disbursements that have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period-end, because prepayment is not available to finance future Governmental Fund expenditures, an amount equal to the carrying value of the asset is classified as nonspendable in the fund balance.

I. Capital Assets and Depreciation

Property, Plant and Equipment – Governmental Activities

Capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the Governmental Funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$3,000 and a useful life of less than five years.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

Donated capital assets are recorded at fair value at the date received. The District does not possess any infrastructure. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by an appraisal company who specializes in this area.

Depreciation

All capital assets, except for land, are depreciated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings and Improvements	20-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	5-10

J. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences is attributable to services already rendered and is not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

For Governmental Funds, that portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable" on the balance sheet. In the Government-wide statement of net position, the "Compensated Absences Payable" is recorded in the "Due within one year" liability account with the long-term portion of accumulated absences recorded in the "Due in more than one year" liability account.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of Governmental Funds. In the Government-wide statement of net position, the current portion of general obligation bonds and notes are recorded in the "Due within one year" liability account with the long-term portion of these general obligation bonds and notes recorded in the "Due in more than one year" liability account.

M. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for deferred charges on refunding bonds and the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

P. Net Position

Net position represents the difference between assets and liabilities plus deferred inflows 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 their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Position (Continued)

position restricted for other purposes includes resources restricted for public school support, district managed activities and auxiliary services.

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

Q. Interfund Transactions

During the course of normal operations, transactions occur between funds. The most significant include:

1. Routine transfers of resources from one fund to another through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as an expenditure/expense in the reimbursing fund and a reduction of expenditure/ expense in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

Interfund operating transfers and loans are eliminated on the Government-wide statements.

R. Estimates

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

S. Unamortized Bond Premiums

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 12, and added required supplementary information which is presented after the notes to the financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities	Business-type Activities
Net position as previously reported	\$ 17,541,859	\$ 354,371
Deferred outflows - payments subsequent to measurement date	2,292,774	55,602
Net pension liability	(46,496,809)	(820,990)
Restated net position at July 1, 2014	\$ (26,662,176)	\$ (411,017)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The Governmental Funds balance sheet includes a reconciliation between fund balance – total Governmental Funds and Net Position of Governmental Funds as reported in the government-wide statement of net position. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Long-term liabilities not reported in the funds:

Accrued note interest	\$ (651)
Accrued bond interest	(82,497)
Notes payable	(312,500)
Bonds payable	(24,265,000)
Plus: issuance premium (to be amortized as interest expense)	(2,868,109)
Compensated absences	(1,786,946)
	\$ (29,315,703)

Net pension liability not reported in the funds:

Deferred outflows of resources - pension	\$ 2,765,419
Deferred inflows of resources - pension	(7,075,980)
Net pension liability	(39,002,969)
	\$ (43,313,530)

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The Governmental Fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total Governmental Funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amounts by which asset disposals and depreciation exceeded capital outlay in the current period:

Capital Outlay	\$ 476,847
Depreciation expense	<u>(1,306,575)</u>
	<u>\$ (829,728)</u>

Amounts by which transactions associated with the issuance and repayment of debt decrease fund balances in the current period:

Debt issuance:	
Advance refunding general obligation bonds	\$ (23,230,000)
Net premium on advance refunding issue	(2,581,396)
Principal payments:	
Tax anticipation note	312,500
General obligation bonds	450,000
Payment to refunding bond escrow agent	<u>25,811,196</u>
	<u>\$ 762,300</u>

The details of expenses that do not require the use of current financial resources:

Compensated absences	\$ 307,558
Accrued interest	<u>17,122</u>
	<u>\$ 324,680</u>

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes require the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must by law 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

monies 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.

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 are permitted to be deposited or invested in the following securities:

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

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.

Cash on Hand At year-end the District had \$1,033 in undeposited cash on hand which is included on the balance sheet of the District as part of "cash and cash equivalents".

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, "Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)".

Cash in Segregated Accounts: At June 30, 2015, the District had \$4,000 in athletic checking accounts which is included in the total "Deposits" in the next paragraph.

Deposits: At June 30, 2015, the carrying amount of the District's deposits was \$12,591,084 and the bank balance was \$13,137,986. Of the entire bank balance, \$5,424,550 was covered by federal depository insurance while \$7,713,436 was exposed to custodial credit risk as described in GASB Statement No. 40 further discussed below.

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

Investments:

As of June 30, 2015, the District had the following investments and maturities:

	Maturities	Fair Value
	<u>6 months or less</u>	
STAR Ohio	\$ 156,488	\$ 156,488

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and in accordance with the Ohio Revised Code, the District's investment policy limits investment maturities to five years or less. Commercial paper must mature within 180 days.

Credit Risk: The District's investment policy limits investments to securities specifically authorized by the Ohio Revised Code. As of June 30, 2015, the District's investments consisted of STAR Ohio (the State investment pool) which was rated AAAM by Standard & Poor's. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service.

Custodial Credit Risk: For an investment, 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 investment or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk; however, the District minimizes custodial credit risk by utilizing multiple safekeeping agents for its book-entry securities.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer, although Ohio law sets limits on investments in commercial paper. One hundred percent of the investments held at June 30, 2015, were in the State investment pool.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Reconciliation of Cash and Investments to the Statement of Net Position: The following is a reconciliation between cash and investments as reported in the preceding paragraphs to that reported on in the statements of net position:

Cash and Investments per footnote:	
Cash on hand	\$ 1,033
Carrying amount of deposits	12,591,084
Investments	<u>156,488</u>
Total	<u>\$ 12,748,605</u>
Cash and Investments per Statements of Net Position:	
Government Wide	\$ 12,654,982
Fiduciary Funds	<u>93,623</u>
	<u>\$ 12,748,605</u>

NOTE 6 - TAXES

A. Property Tax

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year, except monies available to be advanced against such distributions which may be appropriated and used in the current fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utility) located in the District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes.

Real property taxes received in calendar year 2015 were levied after April 1, 2014 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014 and were collected in 2014 with real property taxes. Public utility real property is assessed at 35% of true value and tangible personal property is assessed at varying percentages of true value.

The Wood County Treasurer collects property tax on behalf of the District. The Wood County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance current year operations. The amount available to be advanced can vary based upon the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable, in accordance with GASB 33, as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2015, was \$3,348,065 for the General Fund, \$292,984 for the Bond Retirement Fund, and \$94,251 for the Permanent Improvement Fund.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - TAXES (Continued)

A. Property Tax (Continued)

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

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

<u>Property Category</u>	<u>2015 Assessed Value</u>	<u>2014 Assessed Value</u>
Real Property:		
Residential and agricultural	\$ 430,244,100	\$ 388,346,840
Commercial, industrial and minerals	188,607,150	189,582,890
Public utilities	132,930	124,230
Tangible Personal Property:		
Public utilities	<u>6,949,770</u>	<u>6,633,330</u>
Total	<u>\$ 625,933,950</u>	<u>\$ 584,687,290</u>

B. School District Income Tax

The District levies an income tax of 0.5% on the gross salaries, wages and other personal service compensation earned by residents of the School District. All the revenue received from income tax is recorded directly into the General Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015, consisted of taxes, accounts (charges for services and fees), accrued interest, intergovernmental receivables and interfund receivables (discussed in Note 8). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of the specific State programs.

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2015, consisted of \$37,588 from the General Fund to the Performing Arts Center Operations Fund and \$400,000 from the General Fund to the Severance Benefits Fund. The transfer to the Severance Benefits Fund has been eliminated on the financial statements due to the GASB 54 reclassification of that fund as part of the General Fund. The transfers were accounted for in accordance with budgetary authorizations and with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Interfund Receivable Fund</u>	<u>Interfund Payable Fund</u>	<u>Amount</u>
General Fund	District Managed Student Activities	\$ 25,000

The outstanding balance is the result of an interfund loan to cover expenditures incurred for athletic purposes since revenues fell short of need. These funds are intended to be repaid in the next fiscal year.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - CAPITAL ASSETS

The following is a summary by category of changes in governmental activities capital assets at June 30, 2015:

<i>Historical Cost:</i>				
<u>Asset Category</u>	<u>Balance at</u> <u>7/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/15</u>
<i>Nondepreciable:</i>				
Land	\$ 278,664	\$ -	\$ -	\$ 278,664
Construction in Progress	-	-	-	-
	<u>\$ 278,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,664</u>
<i>Depreciable:</i>				
Buildings & Improvements	44,651,625	385,644	-	45,037,269
Furniture/Equipment	4,115,081	18,306	-	4,133,387
Vehicles	2,151,963	252,309	179,412	2,224,860
Total Depreciable Assets	<u>50,918,669</u>	<u>656,259</u>	<u>179,412</u>	<u>51,395,516</u>
Total General Capital Assets	<u>\$ 51,197,333</u>	<u>\$ 656,259</u>	<u>\$ 179,412</u>	<u>\$ 51,674,180</u>
<i>Accumulated Depreciation:</i>				
<u>Asset Category</u>	<u>Balance at</u> <u>7/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/15</u>
Buildings & Improvements	13,920,149	1,141,349	-	15,061,498
Furniture/Equipment	2,823,312	202,284	-	3,025,596
Vehicles	1,473,372	111,854	148,912	1,436,314
Total Accumulated Depreciation	<u>18,216,833</u>	<u>1,455,487</u> *	<u>148,912</u>	<u>19,523,408</u>
<i>Net Capital Assets:</i>	<u>\$ 32,980,500</u>	<u>\$ (799,228)</u>	<u>\$ 30,500</u>	<u>\$ 32,150,772</u>

* Depreciation expenses were charged to governmental functions as follow:

Instruction	\$ 992,209
Support Services	409,005
Noninstructional Activities	16,467
Extracurricular Activities	37,806
Total Depreciation Expense	<u>\$ 1,455,487</u>

A summary of the proprietary capital assets at June 30, 2015, follows:

<i>Depreciable:</i>	<u>Balance at</u> <u>7/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/15</u>
Furniture/Equipment	\$ 309,254	\$ 9,278	\$ -	\$ 318,532
Vehicles	20,102	-	-	20,102
Total Depreciable Assets	<u>\$ 329,356</u>	<u>\$ 9,278</u>	<u>\$ -</u>	<u>\$ 338,634</u>
<i>Accumulated Depreciation:</i>				
Furniture/Equipment	(233,390)	(9,519)	-	(242,909)
Vehicles	(5,562)	(2,781)	-	(8,343)
Total Accumulated Depreciation	<u>(238,952)</u>	<u>(12,300)</u>	<u>-</u>	<u>(251,252)</u>
Net Capital Assets:	<u>\$ 90,404</u>	<u>\$ 3,022</u>	<u>\$ -</u>	<u>\$ 87,382</u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - LONG-TERM OBLIGATIONS

All current notes and bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. A bond retirement tax has been levied for the principal and interest payments of bonds through a debt service fund while the note was issued in anticipation of permanent improvement levy tax collections which are accounted for in a capital projects fund.

A. . The following is a description of the Bowling Green City School District notes outstanding as of June 30, 2015:

	Inter- est Rate	Issue Date	Maturity Date	Notes Outstanding At 7/1/14	Additions During 2015	Reductions In 2015	Notes Outstanding At 6/30/15	Due Within 1 Year
2012 Permanent Improvement Levy Tax Anticipation Note	2.5%	2/15/12	12/1/15	\$625,000	\$ -0-	\$ 312,500	\$ 312,500	\$ 312,500

B. The following is a summary of the District's future annual debt service requirements to maturity for tax anticipation notes:

Year Ending June 30	Principal on TAN	Interest on TAN	Total
2016	\$ 312,500	\$ 3,906	\$ 316,406

C. The following is a description of the Bowling Green City School District bonds outstanding as of June 30, 2015:

	Inter- est Rate	Issue Date	Maturity Date	Bonds Outstanding At 7/1/14	Additions During 2015	Reductions In 2015	Bonds Outstanding At 6/30/15	Due Within 1 Year
2007 School Facilities Construction and Improvement	3.5- 5.0%	3/22/2007	12/1/2034	\$24,735,000	\$-0-	\$23,700,000	\$1,035,000	\$ 495,000
2015 Advance Refunding Bond	2.0- 5.0%	4/30/2015	12/1/2034	\$-0-	\$23,230,000	\$-	\$23,230,000	\$ 485,000

On April 30, 2015, the District issued \$23,230,000 in General Obligation Refunding Bonds. These serial bonds have interest rates varying from 2.0 percent to 5.0 percent. The final stated maturity on the issue is December 1, 2034. Proceeds were used to refund \$23,250,000 of the outstanding 2007 school facilities construction and improvement bonds.

The bonds were sold at a premium of \$2,868,109. Proceeds of \$25,811,196 (after the underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2007 school facilities construction and improvement bonds. As a result, \$23,250,000 of these bonds were considered defeased and the liability for the refunding portion of these bonds has been removed from the basic financial statements. As of June 30, 2015, the outstanding amount of the refunded bonds is \$23,250,000.

The reacquisition priced exceeded the net carrying amount of the old debt by \$1,760,267. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This resulted in an aggregate difference in debt service payments of \$2,270,871 with a present value gain of \$1,709,300.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

D. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Year Ending <u>June 30</u>	Principal on <u>General Obligation</u>	Interest on <u>General Obligation</u>	<u>Total</u>
2016	\$ 980,000	\$ 1,014,644	\$ 1,994,644
2017	625,000	989,537	1,614,537
2018	640,000	972,163	1,612,163
2019	690,000	958,862	1,648,862
2020	730,000	937,363	1,667,363
2021-2025	4,645,000	4,106,012	8,751,012
2026-2030	6,730,000	2,828,069	9,558,069
2031-2035	<u>9,225,000</u>	<u>1,171,312</u>	<u>10,396,312</u>
	<u>\$ 24,265,000</u>	<u>\$ 12,977,962</u>	<u>\$ 37,242,962</u>

E. During the fiscal year 2015, the following activity occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 3.A.

Governmental Activities:

	Restated Balance at <u>7/1/14</u>	<u>Increase</u>	<u>Decrease</u>	Balance at <u>6/30/15</u>	Due Within <u>1 Year</u>
Compensated absences:					
Sick leave (severance)	\$ 1,995,116	\$ 147,700	\$ 446,236	\$ 1,696,580	\$ 166,495
Vacation	220,475	187,836	151,450	256,861	256,861
Tax anticipation notes	625,000	-	312,500	312,500	312,500
General obligation bonds	24,735,000	23,230,000	23,700,000	24,265,000	980,000
Unamortized bond premium	1,087,642	2,868,109	1,087,642	2,868,109	147,083
Net pension liability	46,496,809	-	7,493,840	39,002,969	-
Total	<u>\$ 75,160,042</u>	<u>\$ 26,433,645</u>	<u>\$33,191,668</u>	<u>\$68,402,019</u>	<u>\$1,862,939</u>

Business-type Activities:

Compensated absences:					
Sick leave (severance)	\$ 70,592	\$ 3,782	\$ 4,349	\$ 70,025	\$ -
Vacation	727	-	727	-	-
Net pension liability	820,990	-	6,279	814,711	-
Total	<u>\$ 892,309</u>	<u>\$ 3,782</u>	<u>\$ 11,355</u>	<u>\$ 884,736</u>	<u>\$ -</u>

The District has established a Severance Benefits Fund, as permitted by H.B. 426, to liquidate accumulated sick leave upon retirement of employees while sick leave and vacation benefits enjoyed by active employees are paid by the fund from which the employee is normally paid, in most cases the General Fund.

NOTE 11 - 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. The District maintains comprehensive commercial insurance coverage for real property, building contents, general liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents have a liability limit of \$115,510,680 with 100% co-insurance. The District's fleet insurance policy has a liability limit of \$1,000,000 each occurrence. The District has liability insurance coverage limits of \$4,000,000 each occurrence and \$6,000,000 annual aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last year.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - RISK MANAGEMENT (Continued)

Wood County Schools Health Insurance Consortium

The Wood County Schools Health Insurance Consortium (the Consortium) is a public entity shared risk pool consisting of six local school districts, two city or exempted village school districts, one vocational school district, and an educational service center. The Consortium is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the Consortium.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information may be obtained from Sharon Gillespie, Medical Mutual of Ohio, 3737 Sylvania Avenue, Toledo, Ohio 43623.

SWOEPC Worker's Compensation Group Rating

The District participates in the Southwest Ohio Educational Purchasing Council's Worker's Compensation Group Rating Plan, part of a shared services council of governments. This Group Rating Plan allows school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. Each year the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description – School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – 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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$574,550 for fiscal year 2015. Of this amount, \$101,895 is reported as intergovernmental payable.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,889,414 for fiscal year 2015. Of this amounts \$66,126 is reported as intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$6,969,374	\$32,848,306	\$39,817,680
Proportion of the Net Pension Liability	0.137709%	0.13504783%	
Pension Expense	\$406,710	\$1,274,204	\$1,680,914

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$59,317	\$316,236	\$375,553
School District contributions subsequent to the measurement date	574,550	1,889,414	2,463,964
Total Deferred Outflows of Resources	\$633,867	\$2,205,650	\$2,839,517
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,131,148	\$6,077,061	\$7,208,209
Total Deferred Inflows of Resources	\$1,131,148	\$6,077,061	\$7,208,209

\$2,463,964 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30	SERS	STRS	Total
2016	\$ (267,958)	\$ (1,440,206)	\$ (1,708,164)
2017	(267,958)	(1,440,206)	(1,708,164)
2018	(267,958)	(1,440,206)	(1,708,164)
2019	(267,958)	(1,440,207)	(1,708,165)
Total	\$ (1,071,832)	\$ (5,760,825)	\$ (6,832,657)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

ate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
	District's proportionate share of the net pension liability	\$ 9,943,226	\$ 6,969,374

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA paid on fifth anniversary of retirement date

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease	Current	1% Increase
	(6.75%)	Discount Rate (7.75%)	(8.75%)
District's proportionate share of the net pension liability	\$47,025,931	\$ 32,848,306	\$20,858,806

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. *School Employees Retirement System*

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the District's surcharge obligation was \$72,983.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$102,713, \$39,997, and \$37,080, respectively. For fiscal year 2015, 82.27 percent has been contributed, with the balance being reported as intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. *State Teachers Retirement System*

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$139,570, and \$148,832 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 14 - OTHER EMPLOYEE BENEFITS - DEFERRED COMPENSATION PLANS

The District employees may participate in the Ohio Public Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The plan Agreement states that the District and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	497,238
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(545,815)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (48,577)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 16 - FUND BALANCES

As of June 30, 2015, fund balances are composed of the following:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>				
Inventory	\$ 76,518	\$ -	\$ -	\$ 76,518
Prepaid items	131,392	-	41	131,433
Memorials Principal	-	-	63,147	63,147
<i>Restricted:</i>				
Federal Grants	-	-	1,380	1,380
Extracurricular activities	-	-	73,860	73,860
Buildings and Improvements	-	-	618,462	618,462
Debt Service	-	1,349,955	-	1,349,955
Instructional Enhancements	-	-	75,849	75,849
Non-Public Schools	-	-	8,202	8,202
<i>Committed:</i>				
Severance Benefits	510,088	-	-	510,088
Performing Arts Center Enhancements	-	-	2,175	2,175
<i>Assigned:</i>				
Future Appropriations	21,986	-	-	21,986
Public School Support	42,193	-	-	42,193
Student Instruction	173,217	-	-	173,217
Student and Staff Support	47,827	-	-	47,827
Unassigned	12,329,644	-	(29,377)	12,300,267
Total Fund Balance	<u>\$ 13,332,865</u>	<u>\$ 1,349,955</u>	<u>\$ 813,739</u>	<u>\$ 15,496,559</u>

Restricted fund balances are constrained by externally imposed requirements by grantors, laws and regulations. Committed fund balances have been established by the Board of Education through resolution or contractual obligations. Board action would be necessary to reverse the purposes for which such funds have been committed. Assigned fund balances are intended to be used for the specified purposes as determined either by the fiscal officer as directed by Section 5705.41(D), Ohio Revised Code or other authoritative guidelines. The District considers all fund balances to be spent when an expenditure is incurred for purposes for which the balance is available or could be used.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - FUND BALANCE DEFICITS

Fund balances at June 30, 2015, included the following individual fund deficits:

<u>NonMajor Funds</u>	<u>GAAP Basis</u>
IDEA – Special Education, Part B	\$(29,377)

These funds complied with Ohio requirements, which do not permit cash basis deficits at year-end unless a cash request has been submitted to the Ohio Department of Education prior to year-end. The GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 221,044
Other Governmental	<u>47,088</u>
Total	<u>\$ 268,132</u>

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

C. Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Bowling Green City School District, Wood County
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget to Actual (Budgetary Basis) - General Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Revised Budget	Actual	Variance with Final Budget
Revenues:				
From local sources:				
Taxes	\$ 18,451,347	\$ 18,667,427	\$ 19,274,257	\$ 606,830
Intergovernmental	11,130,345	11,130,345	11,646,955	516,610
Interest	-	20,000	18,467	(1,533)
Tuition and fees	75,000	55,000	769,515	714,515
Extracurricular activities	-	-	15	15
Miscellaneous	35,000	35,000	65,490	30,490
Total revenues	29,691,692	29,907,772	31,774,699	1,866,927
Expenditures:				
Current:				
Instruction	18,870,019	18,968,019	17,807,598	1,160,421
Support services	11,188,462	11,188,462	10,194,909	993,553
Non-instructional services	183,000	183,000	158,658	24,342
Extracurricular activities	590,564	590,564	521,091	69,473
Total expenditures	30,832,045	30,930,045	28,682,256	2,247,789
Excess (deficiency) of revenues over (under) expenditures	(1,140,353)	(1,022,273)	3,092,443	4,114,716
Other financing sources (uses):				
Operating transfers (out)	(440,000)	(440,000)	(437,588)	2,412
Proceeds from sale of capital assets	-	-	25,000	25,000
Refund of prior years expenditures	-	-	104,697	104,697
Refund of prior year receipts	(1,000)	(1,000)	(300)	700
Total other financing sources (uses)	(441,000)	(441,000)	(308,191)	132,809
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,581,353)	(1,463,273)	2,784,252	4,247,525
Fund balance, July 1	6,411,564	6,411,564	6,411,564	-
Prior year encumbrances appropriated	320,054	320,054	320,054	-
Fund balance, June 30	\$ 5,150,265	\$ 5,268,345	\$ 9,515,870	\$ 4,247,525

Note:

While reporting financial position and changes in financial position/fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund are as follows:

<u>Net Change in Fund Balances</u>	<u>General Fund</u>
Budget Basis	\$ 2,784,252
Net adjustment for revenue accruals	(1,003,322)
Net adjustment for expenditure accruals	198,448
Adjustment for encumbrances	221,044
Reclassification of funds per GASB 54	(12,305)
GAAP Basis	<u>\$ 2,188,117</u>

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.13770900%	0.13770900%
District's proportionate share of the net pension liability	\$ 6,969,374	\$ 8,189,112
District's covered-employee payroll	\$ 4,001,558	\$ 3,402,478
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	240.68%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.13504783%	0.13504783%
District's proportionate share of the net pension liability	\$ 32,848,306	\$ 39,128,687
District's covered-employee payroll	\$ 13,798,154	\$ 14,883,243
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	262.90%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 574,550	\$ 554,616	\$ 470,903	\$ 484,645	\$ 439,894	\$ 468,693	\$ 309,885	\$ 357,953	\$ 395,483	\$ 434,784
Contributions in relation to the contractually required contribution	<u>(574,550)</u>	<u>(554,616)</u>	<u>(470,903)</u>	<u>(484,645)</u>	<u>(439,894)</u>	<u>(468,693)</u>	<u>(309,885)</u>	<u>(357,953)</u>	<u>(395,483)</u>	<u>(434,784)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	\$ 4,359,256	\$ 4,001,558	\$ 3,402,478	\$ 3,603,309	\$ 3,499,554	\$ 3,461,544	\$ 3,149,238	\$ 3,645,143	\$ 3,703,029	\$ 4,109,486
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 1,889,414	\$ 1,793,760	\$ 1,934,822	\$ 1,848,230	\$ 1,906,769	\$ 1,891,838	\$ 1,930,306	\$ 1,927,035	\$ 2,209,120	\$ 2,330,316
Contributions in relation to the contractually required contribution	<u>(1,889,414)</u>	<u>(1,793,760)</u>	<u>(1,934,822)</u>	<u>(1,848,230)</u>	<u>(1,906,769)</u>	<u>(1,891,838)</u>	<u>(1,930,306)</u>	<u>(1,927,035)</u>	<u>(2,209,120)</u>	<u>(2,330,316)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	\$ 13,495,814	\$ 13,798,154	\$ 14,883,243	\$ 14,217,150	\$ 14,667,457	\$ 14,552,600	\$ 14,848,507	\$ 14,823,343	\$ 16,993,229	\$ 17,925,507
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**BOWLING GREEN CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(D) (E) School Breakfast Program	10.553	2015	\$ 101,620	\$ 101,620
(D) (E) National School Lunch Program	10.555	2015	441,836	441,836
(C) (D) National School Lunch Program - Food Donation	10.555	2015	122,545	122,545
Total National School Lunch Program			<u>564,381</u>	<u>564,381</u>
Total Child Nutrition Grant Cluster			<u>666,001</u>	<u>666,001</u>
Total U.S. Department of Agriculture			<u>666,001</u>	<u>666,001</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
Title I Grants to Local Educational Agencies	84.010	2014	76,836	109,964
Title I Grants to Local Educational Agencies	84.010	2015	552,328	564,167
Total Title I Grants to Local Educational Agencies			<u>629,164</u>	<u>674,131</u>
Special Education Grant Cluster:				
(F) Special Education_Grants to States	84.027	2014	27,962	36,906
(F) Special Education_Grants to States	84.027	2015	701,740	697,627
Total Special Education_Grants to States			<u>729,702</u>	<u>734,533</u>
(F) Special Education_Preschool Grants	84.173	2014	2,483	950
(F) Special Education-Preschool Grants	84.173	2015	28,433	28,433
Total Special Education_Preschool Grants			<u>30,916</u>	<u>29,383</u>
Total Special Education Grant Cluster			<u>760,618</u>	<u>763,916</u>
Improving Teacher Quality State Grants	84.367	2014	9,033	37,544
Improving Teacher Quality State Grants	84.367	2015	116,793	115,434
Total Improving Teach Quality State Grants			<u>125,826</u>	<u>152,978</u>
Total U.S. Department of Education			<u>1,515,608</u>	<u>1,591,025</u>
Total Federal Financial Assistance			<u>\$ 2,181,609</u>	<u>\$ 2,257,026</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2015.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the fair value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Accounting Standards***

Bowling Green City School District
Wood County
137 Clough Street
Bowling Green, Ohio 43402

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Bowling Green City School District's basic financial statements and have issued our report thereon dated November 16, 2015, wherein we noted as discussed in Note 3, the Bowling Green City School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Bowling Green City School District

Compliance and Other Matters

As part of reasonably assuring whether the Bowling Green City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 Bowling Green City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Bowling Green City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
November 16, 2015



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to The
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Bowling Green City School District
Wood County
137 Clough Street
Bowling Green, Ohio 43402

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Bowling Green City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Bowling Green City School District's major federal program for the fiscal year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Bowling Green City School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Board of Education
Bowling Green City School District

Opinion on the Major Federal Program

In our opinion, the Bowling Green City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over 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.



Julian & Grube, Inc.
November 16, 2015

**BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

BOWLING GREEN CITY SCHOOL DISTRICT

WOOD 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
JANUARY 28, 2016**