



Dave Yost • Auditor of State

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Federal Hocking Local School District
Athens County
P.O. Box 117
Stewart, Ohio 45778-0017

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplemental and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 2, 2015

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Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

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

Financial Highlights

Key financial highlights for the fiscal year 2014 are as follows:

- Net position of governmental activities increased \$586,029.
- General revenues accounted for \$10,840,979 in revenue or 77.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$3,128,832 or 22.4% of total revenues of \$13,969,811.
- The School District had \$13,383,782 in expenses related to governmental activities; only \$3,128,832 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$10,840,979 were adequate to provide for these programs.
- The School District's two major funds were the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund's balance increased \$541,688 as well as the Permanent Improvement Capital Projects Fund's balance of \$258,822.

Using this Annual Financial Report

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

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

Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The School District uses the accrual basis of accounting to report fiduciary funds.

Federal Hocking Local School District, Ohio

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

The School District as a Whole

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

Table 1
Net Position

	2014	2013	Change
Assets			
Current and Other Assets	\$9,939,361	\$8,946,670	\$992,691
Capital Assets, Net	8,133,336	8,396,689	(263,353)
<i>Total Assets</i>	<u>18,072,697</u>	<u>17,343,359</u>	<u>729,338</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	<u>3,887</u>	<u>4,767</u>	<u>(880)</u>
Liabilities			
Current and Other Liabilities	1,475,506	1,439,008	36,498
Long-term Liabilities	<u>1,071,817</u>	<u>952,934</u>	<u>118,883</u>
<i>Total Liabilities</i>	<u>2,547,323</u>	<u>2,391,942</u>	<u>155,381</u>
Deferred Inflows of Resources			
Property Taxes	<u>2,755,143</u>	<u>2,768,095</u>	<u>(12,952)</u>
Net Position			
Net Investment in Capital Assets	7,704,521	7,988,339	(283,818)
Restricted	1,727,051	1,348,918	378,133
Unrestricted	<u>3,342,546</u>	<u>2,850,832</u>	<u>491,714</u>
<i>Total Net Position</i>	<u>\$12,774,118</u>	<u>\$12,188,089</u>	<u>\$586,029</u>

Total assets increased \$729,338. This increase was mainly due to an increase in cash and cash equivalents of \$921,092 and small increases in property taxes receivable of \$17,360 and intergovernmental receivables of \$48,289. These increases in assets were offset by a decrease in capital assets in the amount of \$263,353 due to current year depreciation exceeding capital asset additions.

Total liabilities did not change significantly. Other liabilities increased \$36,498. All categories increased slightly except intergovernmental payables, which reported a decrease of \$25,444. Long-term liabilities increased \$118,883 mainly due to entering into capital leases for \$96,600 in fiscal year 2014.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014, and comparisons to fiscal year 2013.

Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

Table 2
Changes in Net Position

	2014	2013	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$626,923	\$783,611	(\$156,688)
Operating Grants, Contributions and Interest	2,499,909	1,905,442	594,467
Capital Grants and Contributions	2,000	0	2,000
Total Program Revenues	<u>3,128,832</u>	<u>2,689,053</u>	<u>439,779</u>
General Revenues			
Property Taxes	3,244,133	3,157,318	86,815
Grants and Entitlements	7,542,787	8,008,473	(465,686)
Investment Earnings	6,951	4,455	2,496
Miscellaneous	44,928	83,346	(38,418)
Gifts and Donations	250	0	250
Gain on Sale of Capital Assets	1,930	0	1,930
Total General Revenues	<u>10,840,979</u>	<u>11,253,592</u>	<u>(412,613)</u>
Total Revenues	<u>13,969,811</u>	<u>13,942,645</u>	<u>27,166</u>
Program Expenses			
Instruction:			
Regular	7,231,201	6,671,966	559,235
Special	1,428,985	1,574,899	(145,914)
Vocational	267,867	245,200	22,667
Student Intervention Services	0	1,100	(1,100)
Support Services:			
Pupils	437,965	360,536	77,429
Instructional Staff	1,261	411,926	(410,665)
Board of Education	60,450	29,329	31,121
Administration	648,219	911,961	(263,742)
Fiscal	331,119	387,537	(56,418)
Operation and Maintenance of Plant	928,972	940,397	(11,425)
Pupil Transportation	1,172,821	1,183,609	(10,788)
Central	162,407	53,996	108,411
Operation of Non-Instructional Services:			
Food Service Operations	538,882	486,341	52,541
Other	8,431	12,727	(4,296)
Extracurricular Activities	135,168	137,043	(1,875)
Interest and Fiscal Charges	30,034	37,692	(7,658)
Total Expenses	<u>13,383,782</u>	<u>13,446,259</u>	<u>(62,477)</u>
Change in Net Position	586,029	496,386	89,643
Net Position Beginning of Year	12,188,089	11,691,703	496,386
Net Position End of Year	<u>\$12,774,118</u>	<u>\$12,188,089</u>	<u>\$586,029</u>

Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

Total revenues increased \$27,166 from fiscal year 2013 to fiscal year 2014. Charges for services decreased \$156,688 as well as unrestricted grants and entitlements of \$465,686. However, operating grants and contributions increased \$594,467. Overall, program expenses decreased \$62,477. Instructional staff under support services reallocated their expenses to regular instruction, resulting in a decrease of \$410,665 for instructional staff and an increase of \$559,235 in regular instruction. Administration support services also decreased \$263,742 due to a reduction in staff, as well as recoding some as instructional expenses.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 23% of revenues for governmental activities for the School District in fiscal year 2014.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	<u>Total Cost of Services</u> 2014	<u>Net Cost of Services</u> 2014	<u>Total Cost of Services</u> 2013	<u>Net Cost of Services</u> 2013
Program Expenses				
Instruction:				
Regular	7,231,201	\$6,227,606	6,671,966	\$5,630,588
Special	1,428,985	195,388	1,574,899	1,045,852
Vocational	267,867	212,131	245,200	141,717
Student Intervention Services	0	0	1,100	1,100
Support Services:				
Pupils	437,965	335,322	360,536	232,623
Instructional Staff	1,261	1,261	411,926	322,789
Board of Education	60,450	60,450	29,329	29,329
Administration	648,219	634,815	911,961	815,686
Fiscal	331,119	329,943	387,537	387,042
Operation and Maintenance of Plant	928,972	923,272	940,397	934,517
Pupil Transportation	1,172,821	1,111,293	1,183,609	1,148,970
Central	162,407	125,155	53,996	26,918
Operation of Non-Instructional Services:				
Food Service Operations	538,882	(17,021)	486,341	(63,127)
Other	8,431	2,430	12,727	(10,600)
Extracurricular Activities	135,168	82,871	137,043	76,110
Interest and Fiscal Charges	30,034	30,034	37,692	37,692
Total	<u>\$13,383,782</u>	<u>\$10,254,950</u>	<u>\$13,446,259</u>	<u>\$10,757,206</u>

Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2014, approximately 77% of instructional activities were supported through taxes and other general revenues.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$11,362,098 and expenditures of \$10,826,512. The General Fund's balance increased \$541,688.

The fund balance of the Permanent Improvement Capital Projects Fund at June 30, 2014, is \$854,219, an increase of \$258,822 from the prior year primarily due to a decrease in transportation expenditures.

General Fund Budgeting Highlights

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

During the course of fiscal 2014, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The General Fund had original revenue budget estimates of \$11,082,000. The original budget estimates were increased to the final budget of \$11,128,377. Actual revenues were \$76,596 above final budget estimates.

Original appropriations plus prior year encumbrances were \$11,045,826. The appropriations were increased to the final budget of \$11,161,062. Actual expenditures were under appropriations by \$328,040 due to the School District monitoring their spending during fiscal year 2014.

The School District's ending unobligated General Fund balance was \$4,357,154.

Federal Hocking Local School District, Ohio

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$8,133,336 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

Table 4
Capital Assets
(Net of Depreciation)

	<u>2014</u>	<u>2013</u>
Land	\$44,623	\$44,623
Land Improvements	180,886	209,462
Buildings and Improvements	6,882,619	7,095,953
Furniture and Equipment	517,929	464,186
Vehicles	507,279	582,465
Totals	<u>\$8,133,336</u>	<u>\$8,396,689</u>

See Note 10 to the basic financial statements for more information on capital assets.

Debt

At June 30, 2014, the School District had \$417,930 in bonds and leases outstanding.

Table 5
Outstanding Debt, at Fiscal Year End

	<u>2014</u>	<u>2013</u>
2008 School Improvement Refunding Bonds	\$330,000	\$395,000
Capital Leases	87,930	0

See Notes 16 and 17 to the basic financial statements for more information on debt.

Economic Factors

On September 4, 2013, the School District was notified that Holzer Health System had filed an application for real property tax exemption with the Athens County Auditor and, subsequently, the State of Ohio. The granting of this exemption will reduce the School District's real property tax collections by approximately \$96,500, or a reduction of approximately 32% of the School District's commercial real estate tax revenue. The School District has filed a notice of intent to oppose the application and participate in the proceeding. To date, there has been no judgment rendered by the Ohio Department of Taxation.

Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Bruce Steenrod, Treasurer/CFO at Federal Hocking Local School District, 8461 State Route 144, Stewart, Ohio 45778. Or E-Mail at BSteenrod@fedhock.com.

Federal Hocking Local School District, Ohio

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,933,940
Cash and Cash Equivalents in Segregated Accounts	637
Intergovernmental Receivable	548,453
Accounts Receivable	19,201
Prepaid Items	18,318
Inventory Held for Resale	9,501
Materials and Supplies Inventory	24,698
Property Taxes Receivable	3,384,613
Nondepreciable Capital Assets	44,623
Depreciable Capital Assets, Net	<u>8,088,713</u>
<i>Total Assets</i>	<u>18,072,697</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>3,887</u>
Liabilities	
Accounts Payable	73,622
Accrued Wages and Benefits Payable	963,974
Accrued Interest Payable	2,756
Matured Compensated Absences Payable	91,507
Intergovernmental Payable	343,647
Long-Term Liabilities:	
Due Within One Year	195,814
Due In More Than One Year	<u>876,003</u>
<i>Total Liabilities</i>	<u>2,547,323</u>
Deferred Inflows of Resources	
Property Taxes	<u>2,755,143</u>
Net Position	
Net Investment in Capital Assets	7,704,521
Restricted for:	
Capital Projects	903,894
Debt Service	243,851
Food Service	187,916
Other Purposes	391,390
Unrestricted	<u>3,342,546</u>
<i>Total Net Position</i>	<u>\$12,774,118</u>

See accompanying notes to the basic financial statements.

Federal Hocking Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	#	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest		Capital Grants and Contributions
Governmental Activities						
Instruction:						
Regular		\$7,231,201	\$464,986	\$538,609	\$0	(\$6,227,606)
Special		1,428,985	20,913	1,212,684	0	(195,388)
Vocational		267,867	0	55,736	0	(212,131)
Support Services:						
Pupils		437,965	0	102,643	0	(335,322)
Instructional Staff		1,261	0	0	0	(1,261)
Board of Education		60,450	0	0	0	(60,450)
Administration		648,219	633	12,771	0	(634,815)
Fiscal		331,119	0	1,176	0	(329,943)
Operation and Maintenance of Plant		928,972	0	5,700	0	(923,272)
Pupil Transportation		1,172,821	0	61,528	0	(1,111,293)
Central		162,407	20,422	16,830	0	(125,155)
Operation of Non-Instructional Services:						
Other		8,431	621	5,380	0	(2,430)
Food Service Operations		538,882	79,354	476,549	0	17,021
Extracurricular Activities		135,168	39,994	10,303	2,000	(82,871)
Interest and Fiscal Charges		30,034	0	0	0	(30,034)
Totals		\$13,383,782	\$626,923	\$2,499,909	\$2,000	(10,254,950)

General Revenues

Property Taxes Levied for:

General Purposes	2,697,085
Debt Service	51,233
Capital Improvements	451,540
Classroom Facilities Maintenance	44,275
Grants and Entitlements not Restricted to Specific Programs	7,542,787
Investment Earnings	6,951
Gifts and Donations not Restricted to Specific Programs	250
Gain on Sale of Capital Assets	1,930
Miscellaneous	44,928

Total General Revenues 10,840,979

Change in Net Position 586,029

Net Position Beginning of Year 12,188,089

Net Position End of Year \$12,774,118

See accompanying notes to the basic financial statements.

Federal Hocking Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2014

	General	849,038 Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,419,249	\$834,997	\$679,694	\$5,933,940
Cash and Cash Equivalents in Segregated Accounts	0	0	637	637
Receivables:				
Property Taxes	2,810,319	471,274	103,020	3,384,613
Accounts	19,201	0	0	19,201
Intergovernmental	75,290	0	473,163	548,453
Interfund	86,009	0	0	86,009
Prepaid Items	18,318	0	0	18,318
Inventory Held for Resale	0	0	9,501	9,501
Materials and Supplies Inventory	19,279	0	5,419	24,698
<i>Total Assets</i>	<u>\$7,447,665</u>	<u>\$1,306,271</u>	<u>\$1,271,434</u>	<u>\$10,025,370</u>
Liabilities				
Accounts Payable	\$53,496	\$19,746	\$380	\$73,622
Accrued Wages and Benefits Payable	840,014	0	123,960	963,974
Matured Compensated Absences Payable	91,507	0	0	91,507
Interfund Payable	0	0	86,009	86,009
Intergovernmental Payable	219,036	0	124,611	343,647
<i>Total Liabilities</i>	<u>1,204,053</u>	<u>19,746</u>	<u>334,960</u>	<u>1,558,759</u>
Deferred Inflows of Resources				
Property Taxes	2,291,922	381,032	82,189	2,755,143
Unavailable Revenue	313,516	51,274	270,475	635,265
<i>Total Deferred Inflows of Resources</i>	<u>2,605,438</u>	<u>432,306</u>	<u>352,664</u>	<u>3,390,408</u>
Fund Balances				
Nonspendable	37,597	0	5,419	43,016
Restricted	0	854,219	718,645	1,572,864
Committed	11,000	0	11,518	22,518
Assigned	105,574	0	0	105,574
Unassigned	3,484,003	0	(151,772)	3,332,231
<i>Total Fund Balances</i>	<u>3,638,174</u>	<u>854,219</u>	<u>583,810</u>	<u>5,076,203</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$7,447,665</u>	<u>\$1,306,271</u>	<u>\$1,271,434</u>	<u>\$10,025,370</u>

See accompanying notes to the basic financial statements.

Federal Hocking Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances		\$849,038
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,133,336
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	359,839	
Intergovernmental Revenue	258,621	
Miscellaneous Revenues	16,805	635,265
Accrued Interest Payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(2,756)
Deferred Outflows of Resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds.		3,887
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds Payable	(388,273)	
Capital Leases Payable	(87,930)	
Compensated Absences Payable	(595,614)	(1,071,817)
Net Position of Governmental Activities		<u>\$8,546,953</u>

See accompanying notes to the basic financial statements.

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

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,671,960	\$447,289	\$94,514	\$3,213,763
Intergovernmental	8,114,405	97,686	1,706,407	9,918,498
Investment Earnings	6,951	0	100	7,051
Tuition and Fees	463,746	0	0	463,746
Extracurricular Activities	22,966	0	39,330	62,296
Rent	500	0	0	500
Charges for Services	22,502	0	79,354	101,856
Gifts and Donations	25,484	2,000	17,418	44,902
Miscellaneous	33,584	0	0	33,584
<i>Total Revenues</i>	<u>11,362,098</u>	<u>546,975</u>	<u>1,937,123</u>	<u>13,846,196</u>
Expenditures				
Current:				
Instruction:				
Regular	6,247,471	143,859	481,097	6,872,427
Special	811,330	0	618,626	1,429,956
Vocational	239,998	0	12,500	252,498
Support Services:				
Pupils	358,049	0	96,642	454,691
Instructional Staff	0	1,261	0	1,261
Board of Education	60,450	0	0	60,450
Administration	665,415	35,750	12,000	713,165
Fiscal	308,905	14,519	4,075	327,499
Operation and Maintenance of Plant	846,562	103,433	6,200	956,195
Pupil Transportation	1,078,108	65,732	0	1,143,840
Central	148,322	0	0	148,322
Operation of Non-Instructional Services	1,231	0	537,501	538,732
Extracurricular Activities	59,618	0	43,801	103,419
Debt Service:				
Principal Retirement	480	8,190	65,000	73,670
Interest and Fiscal Charges	573	5,909	13,081	19,563
<i>Total Expenditures</i>	<u>10,826,512</u>	<u>378,653</u>	<u>1,890,523</u>	<u>13,095,688</u>
<i>Excess of Revenues Over Expenditures</i>	<u>535,586</u>	<u>168,322</u>	<u>46,600</u>	<u>750,508</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	6,100	90,500	0	96,600
Proceeds from Sale of Capital Assets	1,930	0	0	1,930
Transfers In	0	0	1,928	1,928
Transfers Out	(1,928)	0	0	(1,928)
<i>Total Other Financing Sources (Uses)</i>	<u>6,102</u>	<u>90,500</u>	<u>1,928</u>	<u>98,530</u>
<i>Net Change in Fund Balances</i>	541,688	258,822	48,528	849,038
<i>Fund Balances Beginning of Year</i>	<u>3,096,486</u>	<u>595,397</u>	<u>535,282</u>	<u>4,227,165</u>
<i>Fund Balances End of Year</i>	<u>\$3,638,174</u>	<u>\$854,219</u>	<u>\$583,810</u>	<u>\$5,076,203</u>

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds \$849,038

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Asset Additions	201,349	
Depreciation Expense	<u>(464,702)</u>	(263,353)

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

Delinquent Property Taxes	30,370	
Intergovernmental Revenue	81,446	
Student Fees	(1,475)	
Miscellaneous	<u>11,344</u>	121,685

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 73,670

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Accrued Interest Payable	(1,578)	
Amortization of Premium	3,345	
Amortization of Deferred Amount on Refunding	(880)	
Annual Accretion	<u>(11,358)</u>	(10,471)

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net position. (96,600)

Compensated Absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (87,940)

Change in Net Position of Governmental Activities \$586,029

See accompanying notes to the financial statements.

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$2,587,000	\$2,520,350	\$2,672,241	\$151,891
Intergovernmental	7,925,629	8,098,786	8,053,973	(44,813)
Investment Earnings	4,500	7,000	6,951	(49)
Tuition and Fees	527,000	463,870	463,866	(4)
Rent	0	500	500	0
Charges for Services	26,000	26,000	0	(26,000)
Gifts and Donations	8,408	8,408	5,250	(3,158)
Miscellaneous	3,463	3,463	2,192	(1,271)
<i>Total Revenues</i>	<u>11,082,000</u>	<u>11,128,377</u>	<u>11,204,973</u>	<u>76,596</u>
Expenditures				
Current:				
Instruction:				
Regular	10,979,640	11,094,876	6,219,675	4,875,201
Special	0	0	810,931	(810,931)
Vocational	3,451	3,451	253,062	(249,611)
Support Services:				
Pupils	0	0	337,134	(337,134)
Board of Education	280	280	64,966	(64,686)
Administration	692	692	669,951	(669,259)
Fiscal	1,664	1,664	309,012	(307,348)
Operation and Maintenance of Plant	53,118	53,118	914,504	(861,386)
Pupil Transportation	6,981	6,981	1,079,666	(1,072,685)
Central	0	0	116,224	(116,224)
Operation of Non-Instructional Services	0	0	250	(250)
Extracurricular Activities	0	0	57,647	(57,647)
<i>Total Expenditures</i>	<u>11,045,826</u>	<u>11,161,062</u>	<u>10,833,022</u>	<u>328,040</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>36,174</u>	<u>(32,685)</u>	<u>371,951</u>	<u>404,636</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	100,000	107,531	143,441	35,910
Proceeds from Sale of Capital Assets	0	2,000	1,930	(70)
Transfers Out	0	(503,128)	(1,928)	501,200
<i>Total Other Financing Sources (Uses)</i>	<u>100,000</u>	<u>(393,597)</u>	<u>143,443</u>	<u>537,040</u>
<i>Net Change in Fund Balance</i>	136,174	(426,282)	515,394	941,676
<i>Fund Balance Beginning of Year</i>	3,757,738	3,757,738	3,757,738	0
Prior Year Encumbrances Appropriated	84,022	84,022	84,022	0
<i>Fund Balance End of Year</i>	<u>\$3,977,934</u>	<u>\$3,415,478</u>	<u>\$4,357,154</u>	<u>\$941,676</u>

See accompanying notes to the basic financial statements.

Federal Hocking Local School District, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2014

	Private Purpose Trust	849038
	Scholarship Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$2,734	\$32,123
Accrued Interest Receivable	132	0
Investments	257,529	0
<i>Total Assets</i>	<u>260,395</u>	<u>\$32,123</u>
Liabilities		
Due to Students	0	\$32,123
<i>Total Liabilities</i>	<u>0</u>	<u>\$32,123</u>
Net Position		
Held in Trust for Scholarships	<u>\$260,395</u>	

See accompanying notes to the basic financial statements.

Federal Hocking Local School District, Ohio

Statement of Changes in Net Position

Private Purpose Trust Fund

For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
	<u>Scholarship Fund</u>
Additions	
Investment Earnings	\$2,940
Deductions	
Scholarships	<u>3,400</u>
<i>Change in Net Position</i>	(460)
<i>Net Position Beginning of Year</i>	<u>260,855</u>
<i>Net Position End of Year</i>	<u><u>\$260,395</u></u>

See accompanying notes to the basic financial statements.

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Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is a rural school located in Athens County, in the Appalachian region of the State, and consists of the villages of Amesville, Coolville, Guysville, and Stewart. The School District is staffed by 82 certificated employees and 56 classified employees who provide services to 1,201 students. The School District currently operates two elementary schools, one middle school, one high school, and one garage.

Reporting Entity:

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

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

The School District participates in two jointly governed organizations and four insurance purchasing pools. These organizations are the Tri-Rivers Educational Computer Association, the Coalition of Rural and Appalachian Schools, the Ohio School Plan, the Ohio School Comp Workers’ Compensation Group Rating Plan, the Metropolitan Educational Council, and the Athens County School Employee Health and Welfare Benefit Association. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements usually distinguish between those activities that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary. The School District has no proprietary funds.

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

Permanent Improvement Capital Projects Fund This fund accounts for the accumulation of resources from taxes that are used to pay for capital and permanent improvement costs of the School.

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

Fiduciary Funds:

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

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, intergovernmental revenues, charges for services, and fees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

In addition to liabilities, the statements of financial position 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 School 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, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 School District, unavailable revenue includes delinquent property taxes and intergovernmental and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures

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

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

F. Cash and Cash Equivalents

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

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

The School District’s only investments consist of certificates of deposit in the trust fund. These investments are reported at cost.

The School District has a segregated bank account for athletic activities. This depository account is presented as “cash and cash equivalents in segregated accounts” since it is not deposited into the School District treasury.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$6,951, which includes \$1,657 assigned from other School District funds.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

H. Prepaid Items

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

I. Capital Assets

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

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

J. Compensated Absences

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as “matured compensated absences payable” in the fund from which the employees who will receive the payment are paid.

K. Bond Premium

On government-wide financial statement, bond premiums are amortized over the term of the bonds using the straight-line method, which approximates effective interest method. Bond premiums are presented as an addition of the face amount of the bonds. On the governmental fund statements, bond premiums are recorded in the fiscal year the bonds are issued.

Federal Hocking Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

L. Deferred Charge on Refunding

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

O. Fund Balance

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

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

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute.

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

P. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for athletic and music activities, facilities maintenance, and federal, state, and local grants restricted to expenditure for specified purposes.

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items reported for fiscal year 2014.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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.

NOTE 3 - FUND BALANCES

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

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Prepays	\$18,318	\$0	\$0	\$18,318
Materials and Supplies Inventory	19,279	0	5,419	24,698
<i>Total Nonspendable</i>	<u>37,597</u>	<u>0</u>	<u>5,419</u>	<u>43,016</u>
<u>Restricted for:</u>				
Local Grant Expenditures	0	0	14,064	14,064
Food Service Operations	0	0	201,105	201,105
State Grant Expenditures	0	0	111,669	111,669
Athletic and Music Programs	0	0	6,545	6,545
Debt Service Payments	0	0	237,750	237,750
Capital Improvements	0	854,219	147,512	1,001,731
<i>Total Restricted</i>	<u>0</u>	<u>854,219</u>	<u>718,645</u>	<u>1,572,864</u>
<u>Committed to:</u>				
Scholarships	0	0	11,518	11,518
Underground Storage Tanks	11,000	0	0	11,000
<i>Total Restricted</i>	<u>11,000</u>	<u>0</u>	<u>11,518</u>	<u>22,518</u>
<u>Assigned to:</u>				
Purchases on Order	72,310	0	0	72,310
Public School Support	33,264	0	0	33,264
<i>Total Assigned</i>	<u>105,574</u>	<u>0</u>	<u>0</u>	<u>105,574</u>
Unassigned:	3,484,003	0	(151,772)	3,332,231
<i>Total Fund Balances</i>	<u>\$3,638,174</u>	<u>\$854,219</u>	<u>\$583,810</u>	<u>\$5,076,203</u>

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 4 - FUND DEFICITS

The following funds had deficit fund balances as of June 30, 2014:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Miscellaneous Federal Grants	\$98,735
Title I	28,645
Title VI-B	19,356
Title II-A	5,036
	<u>\$151,772</u>

The deficits in the Special Revenue Funds are the result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than committed or assigned fund balance (GAAP).
4. Prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$541,688
Revenue Accruals	31,105
Expenditure Accruals	61,865
Prepaid Items:	
Beginning of Fiscal Year	17,965
End of Fiscal Year	(18,318)
To reclassify excess of revenues over expenditures into financial statement fund types	(5,981)
Encumbrances	<u>(112,930)</u>
Budget Basis	<u><u>\$515,394</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,911,429 of the School District's bank balance of \$6,422,501 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2014, the School District had no investments.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
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NOTE 7 - PROPERTY TAXES

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

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

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

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

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

The amount available as an advance at June 30, 2014, was \$221,686 in the General Fund, \$5,455 in the Bond Retirement Debt Service Fund, \$38,968 in the Permanent Improvement Capital Projects Fund, and \$3,522 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2013, was \$221,967 in the General Fund, \$5,430 in the Bond Retirement Debt Service Fund, \$38,788 in the Permanent Improvement Capital Projects Fund, and \$3,504 in the Classroom Facilities Special Revenue Fund.

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$109,241,740	79.13%	\$111,246,900	78.96%
Commerical/Industrial and Public Utility Real	11,443,790	8.29%	11,829,560	8.40%
Public Utility Personal	17,365,760	12.58%	17,810,900	12.64%
	<u>\$138,051,290</u>	<u>100.00%</u>	<u>\$140,887,360</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$29.99		\$29.84

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, accounts (billings for user charged services, and student fees), interfund, and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Other than delinquent property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Title I	\$141,429
21st Century Grants	103,774
Special Education, Part B-IDEA	73,558
Title II-A	67,556
Federal Lunch Reimbursements	56,910
Athens Meigs ESC Preschool Grant	50,350
Ohio Department of Education Foundation Adjustment	24,177
Rural and Low-Income, Title VI-B	15,442
Agriculture Education 5th Quarter	12,500
Early Childhood Special Education, IDEA	1,994
Medicaid Reimbursement	583
Miscellaneous Reimbursement	180
Total	<u>\$548,453</u>

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 9 - SIGNIFICANT COMMITMENTS

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$115,289
Permanent Improvement Capital Projects Fund	175,935
Nonmajor Funds	<u>91,070</u>
Total	<u><u>\$382,294</u></u>

NOTE 10 - CAPITAL ASSETS

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

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2014</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	<u>\$44,623</u>	<u>\$0</u>	<u>\$0</u>	<u>\$44,623</u>
Total Capital Assets not being Depreciated	<u>44,623</u>	<u>0</u>	<u>0</u>	<u>44,623</u>
Depreciable Capital Assets:				
Land Improvements	1,012,493	0	0	1,012,493
Buildings and Improvements	12,162,808	21,349	0	12,184,157
Furniture and Equipment	2,199,155	165,000	(2,123)	2,362,032
Vehicles	<u>1,916,424</u>	<u>15,000</u>	<u>(155,648)</u>	<u>1,775,776</u>
Total Capital Assets being Depreciated	<u>17,290,880</u>	<u>201,349</u>	<u>(157,771)</u>	<u>17,334,458</u>
Less Accumulated Depreciation				
Land Improvements	(803,031)	(28,576)	0	(831,607)
Buildings and Improvements	(5,066,855)	(234,683)	0	(5,301,538)
Furniture and Equipment	(1,734,969)	(111,257)	2,123	(1,844,103)
Vehicles	<u>(1,333,959)</u>	<u>(90,186)</u>	<u>155,648</u>	<u>(1,268,497)</u>
Total Accumulated Depreciation	<u>(8,938,814)</u>	<u>(464,702) *</u>	<u>157,771</u>	<u>(9,245,745)</u>
Total Capital Assets being Depreciated, Net	<u>8,352,066</u>	<u>(263,353)</u>	<u>0</u>	<u>8,088,713</u>
Capital Assets, Net	<u><u>\$8,396,689</u></u>	<u><u>(\$263,353)</u></u>	<u><u>\$0</u></u>	<u><u>\$8,133,336</u></u>

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$164,211
Special	35,427
Vocational	18,049
Support Services:	
Pupils	14,798
Administration	25,650
Fiscal	10,427
Operation and Maintenance of Plant	33,166
Pupil Transportation	93,377
Central	8,342
Food Service Operations	29,506
Extracurricular Activities	31,749
Total Depreciation Expense	<u>\$464,702</u>

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 19). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$49,278,872
Crime (\$1,000 deductible):	
Employee Theft	25,000
Forgery or Alteration	25,000
Inside Premises	10,000
Outside Premises	10,000
Liability:	
Bodily Injury and Property Damage	2,000,000
Personal and Advertising Injury	2,000,000
General Aggregate Limit	4,000,000
Completed Operations Aggregate Limit	2,000,000
Employers' - Stop Gap - Bodily Injury	2,000,000
Educational Legal - Errors and Omissions (\$2,500 deductible):	
Injury Limit	2,000,000
Aggregate Limit	4,000,000
Automobile Liability:	
Liability	2,000,000
Medical Payments – each person	5,000
Uninsured Motorists	1,000,000

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Deductibles:	
Comprehensive	\$1,000
Collision	1,000

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

In fiscal year 2014, the School District participated in the Metropolitan Educational Council (MEC), an insurance purchasing pool (See Note 19). MEC helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurance, services, supplies, and other items.

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

For fiscal year 2014, the School District was a member of the Athens County School Employee Health and Welfare Benefit Association (the Consortium), an insurance purchasing pool (See Note 19), through which a cooperative Health Benefit Program was created for the benefit of its members. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating School Districts. These funds are pooled together for the purposes of paying health and dental benefit claims of employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$191,908, \$167,484, and \$212,467, respectively. For fiscal year 2014, 68.08 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$559,959 and \$920 for the fiscal year ended June 30, 2014, \$483,609 and \$765 for the fiscal year ended June 30, 2013, and \$649,588 and \$374 for the fiscal year ended June 30, 2012. For fiscal year 2014, 81.83 percent has been contributed for the DB plan and 81.83 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$21,278 made by the School District and \$16,718 made by the plan members. In addition, member contributions of \$723 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, there are no employees who have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$26,402 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$28,338, \$23,868, and \$23,176, respectively. For fiscal year 2014, 4.52 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$11,249, \$9,190, and \$11,966, respectively. For fiscal year 2014, 68.40 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 Ohio 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 Ohio. 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 contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$44,781, \$38,725, and \$51,721, respectively. For fiscal year 2014, 81.83 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified and administrative employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated vacation time may be carried forward for the Treasurer and upon approval of the Superintendent, for all other classified employees. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to an unlimited number of days for certified employees and a maximum of 350 days for classified employees. Upon retirement, classified employees may choose between two choices of severance. They can receive severance pay equal to \$25 per day of unused accumulated sick leave to a maximum of 350 days or one-fourth of the unused accumulated sick leave to a maximum of 60 days multiplied by the daily rate. Certified employees can choose between a severance payment equal to \$50 per day of unused accumulated sick leave to a maximum of 350 days or one-fourth of accrued, but unused sick leave credit to a maximum of 60 days paid based on the employee's current rate of pay.

B. Other Employee Insurance

The School District provides life insurance and accidental death and dismemberment insurance through Metropolitan Educational Council Group Life Insurance, in the amount of \$30,000 for all employees. The School District also provides vision insurance to its employees through Vision Service Plan.

NOTE 15 - INTERFUND BALANCES

A. Transfers

The General Fund transferred \$1,928 to the Food Service Special Revenue Fund during fiscal year 2014. The transfer was made to move unrestricted balances to support the food service program so that the School District did not have to raise lunch prices during the fiscal year.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

B. Interfund Balances

Unpaid interfund cash advances at June 30, 2014, were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$86,009	\$0
Nonmajor Special Revenue Funds:		
Special Education, Part B-IDEA	0	21,691
Title I	0	39,740
Early Childhood Special Education, IDEA	0	61
Title II-A	0	20,109
Miscellaneous Federal Grants	0	4,408
Total All Funds	<u>\$86,009</u>	<u>\$86,009</u>

The interfund receivables/payables are due to cash deficits and lags between the dates interfund goods and services are provided, transactions were recorded in the accounting system, and payments between funds were made.

NOTE 16 - CAPITAL LEASES

In the current fiscal year, the School District entered into an agreement to lease copiers. Such agreements are, in substance, lease purchases and are reflected as capital lease obligations in the financial statements. Capital lease payments are reflected as debt service expenditures in the financial statements for the Governmental Funds for \$8,670. The capital lease obligation represents the present value of the net future minimum lease payments on the capital lease.

	<u>Governmental Activities</u>
Furniture and Equipment	\$96,600
Less Accumulated Depreciation	<u>(10,063)</u>
Total June 30, 2014	<u>\$86,537</u>

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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

Year	Governmental Activities	
	Principal	Interest
2015	\$19,030	\$11,275
2016	18,398	7,578
2017	20,702	5,274
2018	23,448	2,528
2019	6,352	142
Total	\$87,930	\$26,797

NOTE 17 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts Due Within One Year
Bonds:					
2008 School Improvement Refunding Bonds - 3.0% - 4.0%	\$375,000	\$0	\$65,000	\$310,000	\$0
Original Issue of Capital Appreciation Bonds - 4.05%	20,000	0	0	20,000	20,000
Accretion on Capital Appreciation Bonds	32,143	11,358	0	43,501	43,501
Premium on Refunding Bonds	18,117	0	3,345	14,772	0
Total Bonds	445,260	11,358	68,345	388,273	63,501
Capital Leases Payable	0	96,600	8,670	87,930	19,030
Compensated Absences	507,674	204,160	116,220	595,614	113,283
Total Long-Term Obligations	\$952,934	\$312,118	\$193,235	\$1,071,817	\$195,814

On July 24, 2008, the School District issued \$690,000 in general obligation refunding bond to retire \$690,000 of outstanding 1995 classroom facilities construction and improvements term bonds. \$699,097 was paid to bondholders on August 24, 2008, to retire the 1995 bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$9,097. This difference, reported as a deferred charge on refunding, is being charged to interest through fiscal year 2019. The School District decreased its total debt service payments by \$82,652 as a result of the current refunding.

The refunding bonds issue included serial and capital appreciation bonds in the amount of \$670,000 and \$20,000, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund. The serial general obligation bonds were sold at a premium of \$34,560 and will be amortized over the term of the bonds.

The refunding bonds are not subject to redemption prior to stated maturity.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

The capital appreciation bonds will mature in fiscal year 2015. The maturity amount of the bonds is \$70,000. For the fiscal year 2014, \$11,358 was accreted for a total bond value of \$63,501.

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

Fiscal Year Ending	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2015	\$0	\$12,025	\$20,000	\$50,000
2016	70,000	10,713	0	0
2017	80,000	7,900	0	0
2018	80,000	4,800	0	0
2019	80,000	1,600	0	0
	<u>\$310,000</u>	<u>\$37,038</u>	<u>\$20,000</u>	<u>\$50,000</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

The capital leases will be paid from the General Fund and the Permanent Improvement Capital Projects Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service Special Revenue Fund.

The School District's overall debt margin was \$12,587,612, with an unvoted debt margin of \$140,887 at June 30, 2014.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri-Rivers Educational Computer Association (TRECA)

The School District is a participant in TRECA, which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county, elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During 2014, the School District paid \$19,781 for services with TRECA. Financial information can be obtained from Mike Carder, who serves as Director, 100 Executive Drive, Marion, Ohio, 43302.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2014. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

NOTE 19 - INSURANCE PURCHASING POOL

A. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a thirteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the plan. Each year, the participating School District pay an enrollment fee to the GRP to cover the costs of administering the program.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

C. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), an insurance purchasing pool. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The organization is composed of over 200 members which includes school districts, joint vocational schools, educational service centers, and libraries in Ohio. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County, and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program.

D. Athens County School Employee Health and Welfare Benefit Association

The School District participates in a consortium of seven districts to operate the Athens County School Employee Health and Welfare Benefit Association. The Association was created to provide health care and dental benefits for the employees and eligible dependents of employees of participating districts. The Association has contracted with Anthem Insurance Company to be a health care provider for medical benefits as well as to provide aggregate and stop loss insurance coverage, and Coresource to provide administration for its dental benefits. The Association is governed by a board of directors consisting of one representative from each of the participating districts. Financial information for the association can be obtained from the administrators at Combs & Associates, P.O. Box 98, Dola, Ohio 45835.

NOTE 20 - SET-ASIDE CALCULATIONS

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

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	172,583
Offsetting Credits	(490,892)
Qualifying Disbursements	(33,942)
Total	<u><u>(\$352,251)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 21 - CONTINGENCIES

A. Grants

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

B. Litigation

As of June 30, 2014, the School District is currently not a party to any material legal proceedings.

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

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

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013/2014	10.555	\$ 11,975	\$ 11,975
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	169,962	169,962
National School Lunch Program	2013/2014	10.555	229,081	229,081
Cash Assistance Subtotal			<u>399,043</u>	<u>399,043</u>
Total Child Nutrition Cluster			<u>411,018</u>	<u>411,018</u>
Total U.S. Department of Agriculture			411,018	411,018
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	130,660 <u>333,889</u>	75,964 <u>373,629</u>
Total Title I Grants to Local Educational Agencies			464,549	449,593
Special Education Cluster:				
Special Education - Grants to States	2013 2014	84.027	57,668 <u>212,453</u>	41,322 <u>234,144</u>
Total Special Education - Grants to States			270,121	275,466
Special Education - Preschool Grants	2013 2014	84.173	2,193 <u>8,646</u>	1,710 <u>8,707</u>
Total Special Education Cluster			<u>280,960</u>	<u>285,883</u>
Twenty-First Century Community Learning Centers	2013 2014	84.287	166,474 <u>246,226</u>	121,031 <u>246,226</u>
Total Twenty-First Century Community Learning Centers			412,700	367,257
Rural Education	2013 2014	84.358	16,000 <u>15,499</u>	 17,996
Total Rural Education			31,499	17,996
Improving Teacher Quality State Grants	2013 2014	84.367	14,686 <u>59,178</u>	10,586 <u>79,287</u>
Total Improving Teacher Quality State Grants			73,864	89,873
<i>Passed thorough Ohio Appalachian Collaborative</i>				
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2014	84.395A	<u>1,050</u>	
Total U.S. Department of Education			<u>1,264,622</u>	<u>1,210,602</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,675,640</u>	<u>\$ 1,621,620</u>

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

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

The School District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the School District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the government has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Federal Hocking Local School District
Athens County
P.O. Box 117
Stewart, Ohio 45778-0017

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Federal Hocking Local School District, Athens County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 2, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 2, 2015



Dave Yost • Auditor of State

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

Federal Hocking Local School District
Athens County
P.O. Box 117
Stewart, Ohio 45778-0017

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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www.ohioauditor.gov

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying Schedule of Findings as item 2014-001.

The School District's response to the internal control over compliance finding we identified is described in the accompanying Schedule of Findings or Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

Columbus, Ohio

March 2, 2015

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Program (list): <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies, CFDA # 84.010 • Twenty-First Century Community Learning Centers, CFDA # 84.287 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

FEDERAL HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2014-001
CFDA Titles and Numbers	Title I Grants to Local Educational Agencies, CFDA # 84.010
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Significant Deficiency - Eligibility

42 U.S.C. § 1758(b)(1)(A) provides that the income guidelines for determining eligibility for free lunches shall be 130 percent of the applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget, as adjusted annually in accordance with subparagraph (B). The income guidelines for determining eligibility for reduced price lunches for any school year shall be 185 percent of the applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget, as adjusted annually in accordance with subparagraph (B). The Office of Management and Budget guidelines shall be revised at annual intervals, or at any shorter interval deemed feasible and desirable.

During testing, we noted the School District did not properly mark students as free or reduced according to the income eligibility guidelines for 3% of the applications tested. The errors occurred at the Amesville Elementary building only.

We recommend the School District follow income eligibility guidelines when determining which students are eligible for free and reduced lunches.

Officials' Response: Refer to the Corrective Action Plan at the end of this report.

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	<p>The School District has attempted to take steps to ensure the validity of free and reduced lunch applications marked by Building Principals. While the district does not condone these type of errors, we also believe that 3 errors out of 89 tested applications does not constitute a significant deficiency.</p> <p>Also, beginning in FY 2015, the School District is participating in the Community Eligibility Provision program of the USDA. As a result, the School District will no longer be collecting free and reduced lunch applications to determine eligibility.</p>	Already implemented.	Bruce Steenrod, Treasurer

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Dave Yost • Auditor of State

FEDERAL-HOCKING LOCAL SCHOOL DISTRICT

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2015**