

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2014***

LARRY LIFER, TREASURER

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Accountant's Compilation Report

To the Lucas Local School District Board of Education
Lucas, Ohio

We have compiled the basic financial statements, as listed in the table of contents, for the Lucas Local School District (the "District"), as of and for the year ended June 30, 2014. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 12, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. We have compiled such information without audit or review and, accordingly, we do not express an opinion or provide any assurance on it.

Julian & Grube, Inc.

October 20, 2014

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Net position of governmental activities increased \$583,180 which represents a 9.98% increase from 2013.
- General revenues accounted for \$5,072,236 in revenue or 79.38% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,317,212 or 20.62% of total revenues of \$6,389,448.
- The District had \$5,806,268 in expenses related to governmental activities; \$1,317,212 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,072,236 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$5,748,096 in revenues and \$5,184,392 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance increased \$563,704 from a balance of \$4,462,550 to \$5,026,254.

Using these Basic Financial Statements

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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-49 of this report.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 7,968,225	\$ 7,211,244
Capital assets, net	<u>1,688,775</u>	<u>1,731,224</u>
Total assets	<u>9,657,000</u>	<u>8,942,468</u>
<u>Liabilities</u>		
Current liabilities	536,129	573,305
Long-term liabilities	<u>688,217</u>	<u>694,641</u>
Total liabilities	<u>1,224,346</u>	<u>1,267,946</u>
<u>Deferred inflows of resources</u>	<u>2,008,431</u>	<u>1,833,479</u>
<u>Net Position</u>		
Net investment in capital assets	1,244,775	1,250,224
Restricted	105,998	99,399
Unrestricted	<u>5,073,450</u>	<u>4,491,420</u>
Total net position	<u>\$ 6,424,223</u>	<u>\$ 5,841,043</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities plus deferred inflows of resources by \$6,424,223.

At fiscal year-end, capital assets represented 17.49% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2014 was \$1,244,775. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

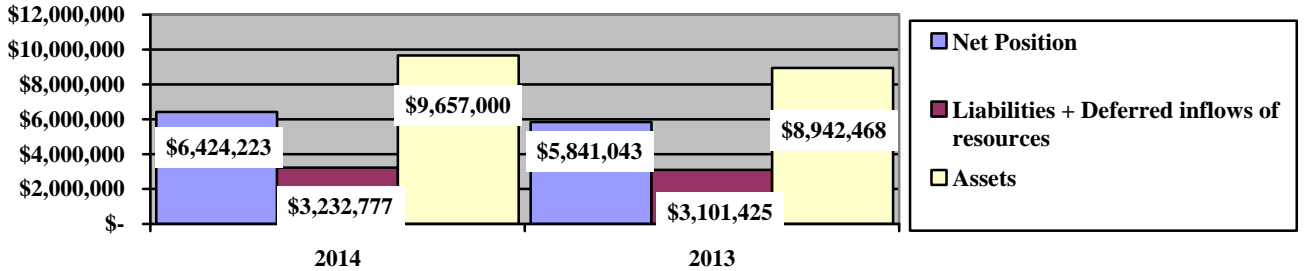
A portion of the District's net position, \$105,998 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$5,073,450 may be used to meet the District's ongoing obligations to the students and creditors.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and June 30, 2013.

Governmental Activities



The table below shows the change in net position for fiscal years 2014 and 2013.

Change in Net Position

	Governmental Activities 2014	Governmental Activities 2013
Revenues		
Program revenues:		
Charges for services and sales	\$ 743,516	\$ 553,352
Operating grants and contributions	571,821	546,338
Capital grants and contributions	1,875	11,550
General revenues:		
Property taxes	2,660,745	2,740,671
Grants and entitlements	2,308,150	2,212,274
Investment earnings	14,812	14,211
Other	88,529	24,621
Total revenues	6,389,448	6,103,017

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 2,439,573	\$ 2,279,036
Special	525,672	518,269
Vocational	17,202	5,844
Other	375,038	346,756
Support services:		
Pupil	132,910	134,529
Instructional staff	209,309	299,768
Board of education	50,619	33,065
Administration	538,046	558,335
Fiscal	180,408	174,827
Operations and maintenance	502,053	560,067
Pupil transportation	327,586	319,309
Central	32,278	82,312
Operations of non-instructional services:		
Food service operations	221,357	230,155
Other non-instructional services	978	1,451
Extracurricular activities	251,812	181,831
Interest and fiscal charges	1,427	892
Total expenses	<u>5,806,268</u>	<u>5,726,446</u>
Change in net position	583,180	376,571
Net position at beginning of year	<u>5,841,043</u>	<u>5,464,472</u>
Net position at end of year	<u>\$ 6,424,223</u>	<u>\$ 5,841,043</u>

Governmental Activities

Net position of the District's governmental activities increased \$583,180. Total governmental expenses of \$5,806,268 were offset by program revenues of \$1,317,212 and general revenues of \$5,072,236. Program revenues supported 22.69% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 77.77% of total governmental revenue.

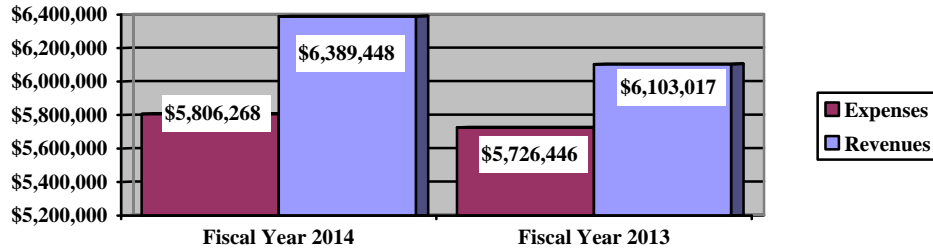
The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,357,485 or 57.83% of total governmental expenses for fiscal year 2014.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

Governmental Activities - Revenues and Expenses



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

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014	2014	2013	2013
Program expenses				
Instruction:				
Regular	\$ 2,439,573	\$ 1,885,458	\$ 2,279,036	\$ 1,876,784
Special	525,672	200,634	518,269	248,003
Vocational	17,202	14,534	5,844	3,777
Other	375,038	375,038	346,756	346,756
Support services:				
Pupil	132,910	127,479	134,529	133,345
Instructional staff	209,309	174,920	299,768	247,082
Board of education	50,619	50,619	33,065	33,065
Administration	538,046	492,404	558,335	507,952
Fiscal	180,408	180,408	174,827	174,827
Operations and maintenance	502,053	495,474	560,067	545,787
Pupil transportation	327,586	311,704	319,309	303,125
Central	32,278	32,278	82,312	76,912
Operations of non-instructional services:				
Food service operations	221,357	(1,665)	230,155	3,357
Other non-instructional services	978	978	1,451	1,451
Extracurricular activities	251,812	147,366	181,831	112,091
Interest and fiscal charges	1,427	1,427	892	892
Total expenses	<u>\$ 5,806,268</u>	<u>\$ 4,489,056</u>	<u>\$ 5,726,446</u>	<u>\$ 4,615,206</u>

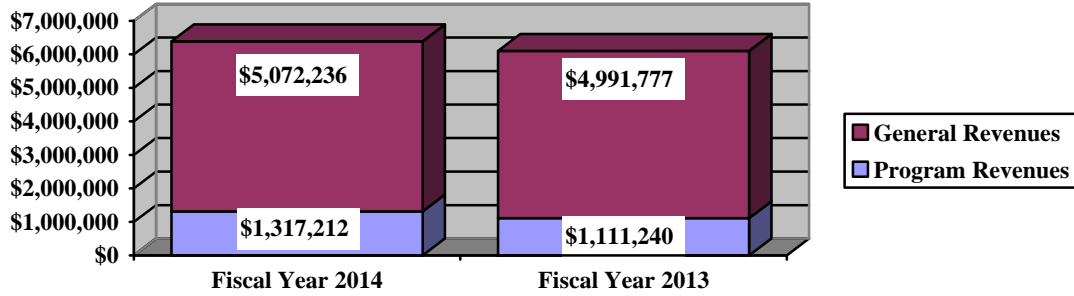
The dependence upon tax and other general revenues for governmental activities is apparent, as 73.74% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.31%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below presents the District's governmental activities revenue for fiscal year 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,228,585 which is higher than last year's total of \$4,638,390. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	<u>Increase</u>	Percentage <u>Change</u>
General	\$ 5,026,254	\$ 4,462,550	\$ 563,704	12.63%
Other governmental	<u>202,331</u>	<u>175,840</u>	<u>26,491</u>	15.07%
Total	<u>\$ 5,228,585</u>	<u>\$ 4,638,390</u>	<u>\$ 590,195</u>	12.72%

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

General Fund

The District's general fund balance increased \$563,704. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 2,678,319	\$ 2,711,318	\$ (32,999)	(1.22) %
Tuition	494,443	326,236	168,207	51.56 %
Earnings on investments	16,490	12,145	4,345	35.78 %
Intergovernmental	2,433,381	2,352,400	80,981	3.44 %
Other revenues	<u>125,463</u>	<u>63,401</u>	<u>62,062</u>	97.89 %
Total	<u>\$ 5,748,096</u>	<u>\$ 5,465,500</u>	<u>\$ 282,596</u>	5.17 %
<u>Expenditures</u>				
Instruction	\$ 3,139,398	\$ 2,964,341	\$ 175,057	5.91 %
Support services	1,784,785	2,089,807	(305,022)	(14.60) %
Non-instructional services	978	1,451	(473)	(32.60) %
Extracurricular activities	133,328	122,240	11,088	9.07 %
Facilities acquisition and construction	6,761	3,000	3,761	125.37 %
Debt service	<u>38,648</u>	<u>37,091</u>	<u>1,557</u>	4.20 %
Total	<u>\$ 5,103,898</u>	<u>\$ 5,217,930</u>	<u>\$ (114,032)</u>	(2.19) %

Overall revenues of the general fund increased \$282,596 or 5.17%. This increase can be attributed to the increase in tuition revenue of \$168,207 or 51.56% from the prior year. This increase in tuition revenue can be attributed to the increase in open enrollment from the prior year. The increase in earnings on investments is due to an increase in the amount of investments held by the District.

Overall, expenditures of the general fund decreased \$114,032 or 2.19%. The District's increase in instruction expenditures is a result of an increase in regular instruction. This can be attributed to an increase in the amount of accrued wages and benefits related to staff from the previous fiscal year. The decrease in support services is can be attributed to a decrease in instructional staff and pupil transportation expenditures.

General Fund Budgeting Highlights

The 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.

For fiscal year 2014, the general fund original budgeted revenues and other financing sources were \$5,339,970 and remained the same for final budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal 2014 were \$5,770,648. This represents a \$430,678 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$5,367,623 remained the same for final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$5,205,615, which was \$162,008 less than the final budget appropriations.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014, the District had \$1,688,775 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2014 balances compared to 2013:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 328,875	\$ 328,875
Land improvements	86,660	92,324
Building and improvements	777,154	826,579
Furniture and equipment	278,759	229,586
Vehicles	<u>217,327</u>	<u>253,860</u>
Total	<u>\$ 1,688,775</u>	<u>\$ 1,731,224</u>

Total additions to capital assets for 2014 were \$138,075. Disposals to capital assets for 2014 were \$3,169 (net of accumulated depreciation). Depreciation expense for the fiscal year was \$177,355. Overall, capital assets of the District decreased \$42,449.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2014 the District had \$444,000 in qualified school construction bonds outstanding. Of this total, \$37,000 is due within one year and \$407,000 is due within greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
Qualified School Construction Bonds	\$ <u>444,000</u>	\$ <u>481,000</u>
Total	<u>\$ 444,000</u>	<u>\$ 481,000</u>

See Note 9 to the basic financial statements for detail.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)**

Current Financial Related Activities

The Board's five-year forecast indicates the District will require no new additional operating money for fiscal year 2014 through fiscal year 2018 based on current assumptions and conditions. With careful management, additional reductions in spending, and the successful passage of a renewal levy in November 2011, the District will not require additional operating money until after fiscal year 2018. The District does have a 12.9 mill Emergency Levy Renewal on the November 2014 ballot. The District's certified agreement expired on June 30, 2013 and negotiations are still underway as of June 30, 2014.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mr. Larry Lifer, Lucas Local School District, 84 Lucas North Road, Lucas, Ohio 44843-9532, 419-892-2338 extension 213.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 5,155,288
Receivables:	
Property taxes	2,713,042
Accounts.	2,480
Accrued interest	2,442
Intergovernmental	79,256
Loans	1,072
Prepayments	6,196
Materials and supplies inventory.	8,449
Capital assets:	
Nondepreciable capital assets	328,875
Depreciable capital assets, net.	1,359,900
Capital assets, net	1,688,775
Total assets.	9,657,000
Liabilities:	
Accounts payable.	6,701
Accrued wages and benefits payable	409,669
Pension obligation payable.	103,734
Intergovernmental payable	14,328
Accrued interest payable	1,697
Long-term liabilities:	
Due within one year.	69,823
Due in more than one year.	618,394
Total liabilities	1,224,346
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,008,431
Net position:	
Net investment in capital assets	1,244,775
Restricted for:	
Locally funded programs	5,163
Federally funded programs	41,925
Student activities	17,556
Other purposes	41,354
Unrestricted	5,073,450
Total net position.	\$ 6,424,223

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>and Contributions</u>	<u>Changes in</u>
					<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Instruction:					
Regular	\$ 2,439,573	\$ 459,345	\$ 94,770	\$ -	\$ (1,885,458)
Special	525,672	50,745	274,293	-	(200,634)
Vocational	17,202	-	2,668	-	(14,534)
Other	375,038	-	-	-	(375,038)
Support services:					
Pupil	132,910	-	5,431	-	(127,479)
Instructional staff	209,309	-	34,389	-	(174,920)
Board of education	50,619	-	-	-	(50,619)
Administration	538,046	15,125	30,517	-	(492,404)
Fiscal	180,408	-	-	-	(180,408)
Operations and maintenance	502,053	765	3,939	1,875	(495,474)
Pupil transportation	327,586	5,397	10,485	-	(311,704)
Central	32,278	-	-	-	(32,278)
Operation of non-instructional services:					
Other non-instructional services	978	-	-	-	(978)
Food service operations	221,357	122,744	100,278	-	1,665
Extracurricular activities	251,812	89,395	15,051	-	(147,366)
Interest and fiscal charges	1,427	-	-	-	(1,427)
Total governmental activities	\$ 5,806,268	\$ 743,516	\$ 571,821	\$ 1,875	(4,489,056)

General revenues:

Property taxes levied for:	
General purposes	2,660,745
Grants and entitlements not restricted to specific programs	2,308,150
Investment earnings	14,812
Miscellaneous	88,529
Total general revenues	5,072,236
Change in net position	583,180
Net position at beginning of year	5,841,043
Net position at end of year	\$ 6,424,223

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 4,927,060	\$ 228,228	\$ 5,155,288
Receivables:			
Property taxes	2,713,042	-	2,713,042
Accounts	2,480	-	2,480
Accrued interest	2,442	-	2,442
Intergovernmental	23,558	55,698	79,256
Prepayments	6,196	-	6,196
Materials and supplies inventory	-	8,449	8,449
Loans to other funds	1,072	-	1,072
Total assets	<u>\$ 7,675,850</u>	<u>\$ 292,375</u>	<u>\$ 7,968,225</u>
Liabilities:			
Accounts payable	\$ 3,227	\$ 3,474	\$ 6,701
Accrued wages and benefits payable	375,500	34,169	409,669
Compensated absences payable	18,765	-	18,765
Intergovernmental payable	13,173	1,155	14,328
Pension obligation payable	95,009	8,725	103,734
Total liabilities	<u>505,674</u>	<u>47,523</u>	<u>553,197</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	2,008,431	-	2,008,431
Delinquent property tax revenue not available	110,042	-	110,042
Accrued interest not available	1,891	-	1,891
Intergovernmental revenue not available	23,558	42,521	66,079
Total deferred inflows of resources	<u>2,143,922</u>	<u>42,521</u>	<u>2,186,443</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory	-	8,449	8,449
Prepays	6,196	-	6,196
Restricted:			
Food service operations	-	40,458	40,458
Special education	-	2,248	2,248
Other purposes	-	5,163	5,163
Extracurricular activities	-	17,556	17,556
Committed:			
Capital improvements	-	138,411	138,411
Assigned:			
Student instruction	2,412	-	2,412
Student and staff support	23,641	-	23,641
Subsequent year's appropriations	22,496	-	22,496
Other purposes	889	-	889
Unassigned (deficit)	4,970,620	(9,954)	4,960,666
Total fund balances	<u>5,026,254</u>	<u>202,331</u>	<u>5,228,585</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,675,850</u>	<u>\$ 292,375</u>	<u>\$ 7,968,225</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances		\$	5,228,585
<i>Amounts reported for governmental activities on 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.			1,688,775
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	110,042	
Accrued interest receivable		1,891	
Intergovernmental receivable		66,079	
Total		178,012	178,012
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(1,697)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(444,000)	
Compensated absences		(225,452)	
Total		(669,452)	(669,452)
Net position of governmental activities		\$	6,424,223

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 2,678,319	\$ -	\$ 2,678,319
Tuition.	494,443	-	494,443
Transportation fees.	5,397	-	5,397
Earnings on investments	16,490	154	16,644
Charges for services	-	122,744	122,744
Extracurricular.	15,125	89,395	104,520
Classroom materials and fees	15,647	-	15,647
Rental income	765	-	765
Contributions and donations	88,508	11,092	99,600
Other local revenues	21	940	961
Intergovernmental - intermediate	-	13,694	13,694
Intergovernmental - state	2,433,381	7,161	2,440,542
Intergovernmental - federal	-	388,747	388,747
Total revenues	<u>5,748,096</u>	<u>633,927</u>	<u>6,382,023</u>
Expenditures:			
Current:			
Instruction:			
Regular.	2,380,042	52,831	2,432,873
Special	367,116	171,414	538,530
Vocational	17,202	-	17,202
Other	375,038	-	375,038
Support services:			
Pupil	130,422	2,000	132,422
Instructional staff	136,067	34,751	170,818
Board of education	50,777	-	50,777
Administration	509,995	30,330	540,325
Fiscal	179,644	-	179,644
Operations and maintenance	449,182	16,379	465,561
Pupil transportation	295,616	-	295,616
Central	33,082	-	33,082
Operation of non-instructional services:			
Other non-instructional services.	978	-	978
Food service operations.	-	260,243	260,243
Extracurricular activities	133,328	103,247	236,575
Facilities acquisition and construction.	6,761	16,735	23,496
Debt service:			
Principal retirement.	37,000	-	37,000
Interest and fiscal charges	1,648	-	1,648
Total expenditures	<u>5,103,898</u>	<u>687,930</u>	<u>5,791,828</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>644,198</u>	<u>(54,003)</u>	<u>590,195</u>
Other financing sources (uses):			
Transfers in.	-	80,494	80,494
Transfers (out)	(80,494)	-	(80,494)
Total other financing sources (uses)	<u>(80,494)</u>	<u>80,494</u>	<u>-</u>
Net change in fund balances	563,704	26,491	590,195
Fund balances at beginning of year.	<u>4,462,550</u>	<u>175,840</u>	<u>4,638,390</u>
Fund balances at end of year.	<u>\$ 5,026,254</u>	<u>\$ 202,331</u>	<u>\$ 5,228,585</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds	\$	590,195
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 138,075	
Current year depreciation	<u>(177,355)</u>	
Total		(39,280)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(3,169)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(17,574)	
Earnings on investments	(1,678)	
Intergovernmental	<u>29,276</u>	
Total		10,024
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
		37,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Accrued interest payable		221
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(11,811)</u>
Change in net position of governmental activities	\$	<u>583,180</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,610,000	\$ 2,537,489	\$ 2,688,971	\$ 151,482
Tuition	321,000	465,053	494,443	29,390
Transportation fees	-	5,098	5,397	299
Earnings on investments	12,000	13,037	17,210	4,173
Classroom materials and fees	14,500	14,124	15,647	1,523
Rental income	900	857	765	(92)
Contributions and donations	-	-	77,885	77,885
Other local revenues	6,000	2,644	2,785	141
Intergovernmental - state	2,357,000	2,268,098	2,434,364	166,266
Total revenues	<u>5,321,400</u>	<u>5,306,400</u>	<u>5,737,467</u>	<u>431,067</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,505,230	2,505,230	2,373,437	131,793
Special	392,173	392,173	363,408	28,765
Vocational	3,992	3,992	17,202	(13,210)
Other	359,000	359,000	375,038	(16,038)
Support services:				
Pupil	147,975	147,975	131,139	16,836
Instructional staff	133,967	133,967	161,264	(27,297)
Board of education	74,476	74,476	64,091	10,385
Administration	496,015	496,015	492,440	3,575
Fiscal	175,995	175,995	180,055	(4,060)
Operations and maintenance	410,512	410,512	451,058	(40,546)
Pupil transportation	384,538	384,538	302,911	81,627
Central	30,327	30,327	33,302	(2,975)
Operation of non-instructional services:				
Other non-instructional services	1,750	1,750	978	772
Extracurricular activities	141,998	141,998	133,389	8,609
Facilities acquisition and construction	9,675	9,675	6,761	2,914
Debt service:				
Principal	-	-	37,000	(37,000)
Interest and fiscal charges	-	-	1,648	(1,648)
Total expenditures	<u>5,267,623</u>	<u>5,267,623</u>	<u>5,125,121</u>	<u>142,502</u>
Excess of revenues over expenditures	<u>53,777</u>	<u>38,777</u>	<u>612,346</u>	<u>573,569</u>
Other financing sources (uses):				
Refund of prior year's expenditures	18,570	33,570	33,181	(389)
Transfers (out)	(100,000)	(100,000)	(80,494)	19,506
Total other financing sources (uses)	<u>(81,430)</u>	<u>(66,430)</u>	<u>(47,313)</u>	<u>19,117</u>
Net change in fund balance	(27,653)	(27,653)	565,033	592,686
Fund balance at beginning of year	4,305,371	4,305,371	4,305,371	-
Prior year encumbrances appropriated	26,739	26,739	26,739	-
Fund balance at end of year	<u>\$ 4,304,457</u>	<u>\$ 4,304,457</u>	<u>\$ 4,897,143</u>	<u>\$ 592,686</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 96,869	\$ 29,645
Total assets.	96,869	\$ 29,645
Liabilities:		
Due to students.	-	\$ 28,573
Loans payable	-	1,072
Total liabilities	-	\$ 29,645
Net position:		
Held in trust for scholarships	96,869	
Total net position.	\$ 96,869	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 230
Gifts and contributions	7,268
Total additions.	7,498
Deductions:	
Scholarships awarded	2,000
Change in net position	5,498
Net position at beginning of year.	91,371
Net position at end of year	\$ 96,869

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Lucas Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board form of government and provides educational services as authorized and further mandated by State and/or federal agencies. This Board controls the district's 4 instructional/support facilities staffed by 46 non-certified, 40 certified and 1 administrative full-time employees to provide services to 597 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG 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. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2014, the District paid \$67,197 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Metropolitan Education Council Purchasing Group

The District is a member of the Metropolitan Educational Council (MEC) purchasing group. The following items are purchased through this group discount program: custodial products, food service products, audio visual bulbs, and certain paper products. The MEC also provides a Self-Help Gas Program where members save significant amounts on natural gas purchases.

Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

B. Fund Accounting

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

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following is the District's only major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than capital projects.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue on the governmental fund financial statements.

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. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds except agency funds. The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

During fiscal year 2014, investments were limited to STAR Ohio, Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities and non-negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$16,490 which includes \$994 assigned from other District funds.

For presentation on the statement of net position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the fund statements and on the government-wide statements.

On the fund financial statements, reported materials and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. 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. The District does not possess infrastructure.

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:

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	15 - 25 years
Buildings and improvements	15 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net position. At June 30, 2014, there was no interfund loans receivable/payable.

Receivables resulting from loans to the agency fund are reported as loans receivable on the governmental fund financial statements and as loans payable on the statement of fiduciary net position

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014 by those employees who are currently eligible to receive termination (sick leave) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. 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, 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 year.

L. Fund Balance

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

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

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

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

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

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations and special enterprise operations.

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

N. Bond Issuance Costs

On government-wide and fund financial statements, bond issuance costs are expensed in the year they occurred.

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

On the fund financial statements, reported prepayments is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

P. Estimates

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

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Interfund Activity

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 fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. Extraordinary and Special Items

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 17
IDEA Part-B	890
Title I - disadvantaged children	8,451
Miscellaneous federal grants	596

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

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At June 30, 2014, the District had \$50 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$4,355,072. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$3,540,344 of the District's bank balance of \$4,372,181 was exposed to custodial risk as discussed below, while \$831,837 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 450,229	\$ -	\$ 50,658	\$ 99,994	\$ 99,981	\$ 199,596
FHLB	173,317	-	-	-	-	173,317
FHLMC	50,000	-	-	-	-	50,000
FNMA	248,675	-	-	-	-	248,675
STAR Ohio	4,459	4,459	-	-	-	-
Total	<u>\$ 926,680</u>	<u>\$ 4,459</u>	<u>\$ 50,658</u>	<u>\$ 99,994</u>	<u>\$ 99,981</u>	<u>\$ 671,588</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial risk in that they are uninsured, unregistered and held by the counter party's trust department or agent, but not in the District's name. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 450,229	48.58
FHLB	173,317	18.70
FHLMC	50,000	5.40
FNMA	248,675	26.84
STAR Ohio	4,459	0.48
Total	<u>\$ 926,680</u>	<u>100.00</u>

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,355,072
Investments	926,680
Cash on hand	50
Total	\$ 5,281,802
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,155,288
Private-purpose trust fund	96,869
Agency fund	29,645
Total	\$ 5,281,802

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	\$ 1,072

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

- B.** Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 80,494

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Richland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$594,569 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$605,221 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 - PROPERTY TAXES - (Continued)

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

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 57,757,600	77.17	\$ 57,636,340	77.67
Public utility personal	<u>17,085,960</u>	<u>22.83</u>	<u>16,571,840</u>	<u>22.33</u>
Total	<u>\$ 74,843,560</u>	<u>100.00</u>	<u>\$ 74,208,180</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.20		\$49.20	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, intergovernmental grants and entitlements, accounts, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of the items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 2,713,042
Intergovernmental	79,256
Accounts	2,480
Accrued interest	<u>2,442</u>
Total	<u>\$ 2,797,220</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 8 - CAPITAL ASSETS

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

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2014</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 328,875	\$ -	\$ -	\$ 328,875
Total capital assets, not being depreciated	<u>328,875</u>	<u>-</u>	<u>-</u>	<u>328,875</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	369,884	-	-	369,884
Buildings and improvements	3,498,879	23,146	-	3,522,025
Furniture and equipment	1,472,021	114,929	(12,581)	1,574,369
Vehicles	809,286	-	-	809,286
Total capital assets, being depreciated	<u>6,150,070</u>	<u>138,075</u>	<u>(12,581)</u>	<u>6,275,564</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(277,560)	(5,664)	-	(283,224)
Buildings and improvements	(2,672,300)	(72,571)	-	(2,744,871)
Furniture and equipment	(1,242,435)	(62,587)	9,412	(1,295,610)
Vehicles	(555,426)	(36,533)	-	(591,959)
Total accumulated depreciation	<u>(4,747,721)</u>	<u>(177,355)</u>	<u>9,412</u>	<u>(4,915,664)</u>
Governmental activities capital assets, net	<u>\$ 1,731,224</u>	<u>\$ (39,280)</u>	<u>\$ (3,169)</u>	<u>\$ 1,688,775</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 32,016
<u>Support services:</u>	
Pupil	488
Instructional staff	36,312
Administration	4,370
Fiscal	938
Operations and maintenance	9,738
Pupil transportation	44,912
Extracurricular activities	15,170
Food service operations	<u>33,411</u>
Total depreciation expense	<u>\$ 177,355</u>

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NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2014, the following activity occurred in governmental activities long-term obligations:

	Fiscal Year <u>Issued</u>	Fiscal Year <u>Maturity</u>	Interest <u>Rate</u>	Balance <u>06/30/13</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/14</u>	Amount Due in <u>One Year</u>
Qualified school construction bonds	2011	2026	4.95%	\$ 481,000	\$ -	\$ (37,000)	\$ 444,000	\$ 37,000
Compensated absences				<u>213,641</u>	<u>49,660</u>	<u>(19,084)</u>	<u>244,217</u>	<u>32,823</u>
Total governmental activities				<u>\$ 694,641</u>	<u>\$ 49,660</u>	<u>\$ (56,084)</u>	<u>\$ 688,217</u>	<u>\$ 69,823</u>

Compensated Absences

Compensated absences will be paid primarily from the general fund.

Qualified School Construction Bonds

The Qualified School Construction Bonds were issued on October 28, 2010 at the interest rate of 4.95%. The bonds mature on December 1, 2025. The bonds were issued for the purpose of constructing improvements to existing school buildings and structures heating systems and lighting. Principal and interest payments are paid out of the general fund.

Principal and interest requirements for the qualified school construction bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	<u>Qualified School Construction Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 37,000	\$ 21,062	\$ 58,062
2016	37,000	19,231	56,231
2017	37,000	17,400	54,400
2018	37,000	15,568	52,568
2019	37,000	13,736	50,736
2020 - 2024	185,000	41,210	226,210
2025 - 2026	<u>74,000</u>	<u>3,661</u>	<u>77,661</u>
Total	<u>\$ 444,000</u>	<u>\$ 131,868</u>	<u>\$ 575,868</u>

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NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code (ORC) provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The ORC further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The ORC additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$6,234,736 and an unvoted debt margin of \$74,208.

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 5 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given 15 to 20 days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited. The only exception is the Superintendent and Treasurer who can carry over up to 10 days at the end of their contracts. Teachers do not earn vacation time.

Administrators, teachers, and classified employees earn sick leave at a rate of 1 and 1/4 days per month. Sick leave may be accumulated up to 248 days. Upon retirement, payment is made to employees with 10 or more years of service at the District for 25% of the total sick leave accumulation with a maximum of 62 days payment.

The District offers a one-time exit bonus for all part-time employees with a minimum of 10 consecutive years of experience with the District. Part-time employees who elect this exit bonus must retire with the State Teachers Retirement System of Ohio (STRS Ohio) or School Employees Retirement System of Ohio (SERS). This exit bonus applies only to part-time employees who have not previously retired from STRS Ohio or SERS. Upon retirement, the exit bonus will be calculated on a formula of 25% of the first 120 days of accrued sick leave. This bonus is included as a component of "compensated absences payable" on the basic financial statements. The exit bonus is calculated using the scheduled daily rate of pay at the time of retirement.

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NOTE 10 - COMPENSATED ABSENCES - (Continued)

For those part-time who have accrued sick leave beyond 120 days, the following additional formula will apply:

<u>Accumulated sick leave</u>	<u>Exit bonus shall be increased by:</u>	<u>Total exit bonus days</u>
130 - 139 days	1 additional day	31
140 - 149 days	2 additional days	32
150 - 159 days	3 additional days	33
160 - 169 days	4 additional days	34
170 - 179 days	5 additional days	35
180 - 189 days	6 additional days	36
190 - 199 days	7 additional days	37
200 - 209 days	8 additional days	38
210 - 219 days	9 additional days	39
> = 240 days	10 additional days	40

The maximum exit bonus that any employee can earn is forty days.

NOTE 11 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District retained property insurance coverage in the blanket amount of \$20,823,444, no coinsurance, replacement cost, and a \$1,000 deductible.

Vehicles are covered by a policy through Ohio School Plan, which provides for a \$1,000 deductible on buses for both comprehensive and collision. It also includes replacement costs on buses that are ten years old and newer. Vehicle liability has a \$3,000,000 bodily injury and property damage limit.

Ohio School Plan also provides general liability coverage of \$3,000,000 each occurrence and \$5,000,000 aggregate with no deductible.

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

B. Employee Dishonesty Bonds

The District carries employee dishonesty bonds for the Treasurer, Superintendent, and Board President in the amount of \$100,000. Also, an employee blanket dishonesty bond in the amount of \$100,000 is provided to cover all other employees of the District.

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NOTE 11 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (See Note 2.A.). The Plan'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 Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The worker's 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

D. Employee Group Medical and Dental Insurance

The District has contracted with the Stark County Schools Council of Governments Health Benefits Plan (a shared risk pool) (See Note 2) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The District's Board of Education pays a portion of the monthly premium.

Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District's account balance. The Directors have the right to hold monies for an exiting district subsequent to the settlement of all expenses and claims.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

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NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$125,540, \$122,159 and \$123,512, respectively; 80.22 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

A DB or Combined Plan member with five or more years 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.

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NOTE 12 - PENSION PLANS - (Continued)

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$294,382, \$295,684 and \$290,542, respectively; 84.58 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$24,305 made by the District and \$19,097 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$16,617, \$12,047 and \$19,499, respectively; 80.22 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$7,283, \$6,901 and \$7,294, respectively; 80.22 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$22,645, \$22,745 and \$22,342, respectively; 84.58 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 565,033
Net adjustment for revenue accruals	(15,121)
Net adjustment for expenditure accruals	36,203
Net adjustment for other sources/uses	(33,181)
Funds budgeted elsewhere	(9,605)
Adjustment for encumbrances	20,375
GAAP basis	\$ 563,704

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, rotary fund, uniform school supplies fund and the public school fund.

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NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement 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 District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	97,716
Current year qualifying expenditures	<u>(195,775)</u>
Total	<u>\$ (98,059)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u><u>\$ -</u></u>

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NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 17,202
Nonmajor governmental funds	<u>52,509</u>
Total	<u>\$ 69,711</u>