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**WASHINGTON COURT HOUSE  
CITY SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2014

With Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Education  
Washington Court House City School District  
306 Highland Avenue  
Washington Court House, OH 43160

We have reviewed the *Independent Auditors' Report* of the Washington Court House City School District, Fayette County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 20, 2015

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## TABLE OF CONTENTS

Independent Auditors' Report.....	1 - 3
Management's Discussion and Analysis.....	4 - 11
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities .....	13
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	14 - 15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16 - 17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	18
Statement of Fiduciary Net Position – Fiduciary Funds.....	19
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	20
Notes to Basic Financial Statements.....	21 - 55
Additional Information:	
Schedule of Expenditures of Federal Awards .....	56
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	57 - 58
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133.....	59 - 60
Schedule of Findings and Questioned Costs.....	61 - 62

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Washington Court House City School District:

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## ***Opinions***

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

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, 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 who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington Court House City School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 on our consideration of Washington Court House City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington Court House City School District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 18, 2014

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
Unaudited

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

**Financial Highlights**

- In total, the net position of governmental activities decreased \$194,244.
- General revenues accounted for \$17,147,963 of all revenues and reflect the School District's continued dependence on property taxes and unrestricted State entitlements.
- The School District had \$23,337,500 in expenses related to governmental activities; only \$5,995,293 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues (primarily grants and entitlements and property taxes) of \$17,147,963 were not adequate to provide for the remaining cost of these programs.

**Using this Annual Financial Report**

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

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

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
Unaudited

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

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2014?” The Statement of Net Position and the Statement of Activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the School District has only one kind of activity:

- Governmental Activities - All of the School District’s educational programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service.

## **Reporting the School District’s Most Significant Funds**

### **Fund Financial Statements**

The analysis of the School District’s major funds begins on page ten. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds, which are the General Fund and the Bond Retirement Debt Service Fund.

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
Unaudited

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

**Fiduciary Funds** - The School District's fiduciary funds include two private purpose trust funds and an agency fund. The School District has established private purpose trust funds to account for college scholarship programs for its students. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

**Washington Court House City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
 Unaudited

Table 1 provides a summary of the School District's net position for fiscal years 2013 and 2014:

Table 1  
Net Position

	Governmental Activities		Increase/ (Decrease)
	2014	2013	
<b>Assets</b>			
Current and Other Assets	\$13,542,150	\$12,459,441	\$1,082,709
Capital Assets, Net	64,964,344	66,097,884	(1,133,540)
Total Assets	78,506,494	78,557,325	(50,831)
<b>Deferred Outflows of Resources</b>	1,596,519	0	1,596,519
<b>Liabilities</b>			
Other Liabilities	2,893,987	2,277,227	616,760
Long-Term Liabilities	22,479,705	21,675,722	803,983
Total Liabilities	25,373,692	23,952,949	1,420,743
<b>Deferred Inflows of Resources</b>	3,323,045	3,003,856	319,189
<b>Net Position</b>			
Net Investment in			
Capital Assets	46,432,935	47,351,284	(918,349)
Restricted	3,561,095	3,423,152	137,943
Unrestricted	1,412,246	826,084	586,162
Total Net Position	\$51,406,276	\$51,600,520	(\$194,244)

A decrease occurred within Total Assets when compared to the prior fiscal year. Current and Other Assets increased \$1,082,709, which is due to the increase in State funding received by the School District as part of the new funding formula, combined with a decrease in expenditures which increased cash balances at year-end. Capital Assets, Net and Net Investment in Capital Assets decreased \$1,133,540 and \$918,349, respectively due to current fiscal year depreciation exceeding current fiscal year additions.

Total Liabilities increased \$1,420,743 as a result of the accrual of the premium issued on the debt refunding and the new capital lease with Apple for laptop computers as part of the School District's 1:1 initiative.

**Washington Court House City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**Unaudited**

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

Table 2  
Change in Net Position

	Governmental Activities		Increase/ (Decrease)
	2014	2013	
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,439,556	\$1,470,613	(\$31,057)
Operating Grants, Contributions and Interest	4,555,737	3,958,159	597,578
Total Program Revenues	5,995,293	5,428,772	566,521
General Revenues:			
Property Taxes	5,452,109	5,399,405	52,704
Revenue in Lieu of Taxes	15,489	20,108	(4,619)
Grants and Entitlements not Restricted to Specific Programs	11,471,948	11,240,917	231,031
Contributions and Donations	12,174	4,874	7,300
Investment Earnings	12,248	11,619	629
Miscellaneous	183,995	397,777	(213,782)
Total General Revenues	17,147,963	17,074,700	73,263
Total Revenues	\$23,143,256	\$22,503,472	\$639,784

*(continued)*

**Washington Court House City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**Unaudited**

Table 2  
Change in Net Position  
*(continued)*

	Governmental Activities		Increase/ (Decrease)
	2014	2013	
<b>Program Expenses</b>			
Instruction:			
Regular	\$10,514,960	\$10,464,401	\$50,559
Special	3,384,344	3,414,216	(29,872)
Student Intervention Services	0	5,675	(5,675)
Support Services:			
Pupils	845,466	810,111	35,355
Instructional Staff	1,200,993	1,066,115	134,878
Board of Education	25,990	26,608	(618)
Administration	1,889,089	2,023,415	(134,326)
Administration - Intergovernmental	102	5,839	(5,737)
Fiscal	600,251	625,337	(25,086)
Business	17,079	6,278	10,801
Operation and Maintenance of Plant	1,823,379	1,890,099	(66,720)
Pupil Transportation	754,458	738,620	15,838
Central	21,402	147,517	(126,115)
Operation of Non-Instructional Services	1,129,836	1,133,622	(3,786)
Extracurricular Activities	737,240	760,525	(23,285)
Interest and Fiscal Charges	200,886	1,223,782	(1,022,896)
Issuance Costs	192,025	0	192,025
Total Expenses	23,337,500	24,342,160	(1,004,660)
Change in Net Position	(194,244)	(1,838,688)	1,644,444
Net Position at Beginning of Year	51,600,520	53,439,208	(1,838,688)
Net Position at End of Year	\$51,406,276	\$51,600,520	(\$194,244)

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues, accounted for \$5,995,293 of total revenues for fiscal year 2014, an increase of \$566,521. This increase is primarily the result of the School District receiving more State funding during fiscal year 2014.

As stated previously, general revenues represent \$17,147,963 of the School District's total revenues and increased insignificantly when compared to the prior fiscal year.

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
Unaudited

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As should be expected, Instruction costs represent the largest of the School District's expenses, \$13,899,304 for fiscal year 2014. The Instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$2,800,917 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$1,823,379. Therefore, \$18,523,600 of the School District's expenses are related to the primary functions of providing facilities and delivering education. The most notable change in expenses from fiscal year 2013 as compared to fiscal year 2014 was a decrease in Interest and Fiscal Charges as the School District refunded its debt in fiscal year 2014 to provide savings to our taxpayers.

### **The School District's Funds**

Information about the School District's most significant funds starts on page 14. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,267,080 and expenditures of \$23,811,783. The net change in fund balance for the General Fund was (\$55,606), which is a decrease from the net change in fund balance from the prior year. This is a result of increases in expenditures in almost all programs of the School District due to cost of living and step increases to salaries, increases in the cost of providing benefits to employees, and overall increase in the costs of purchased services and supplies in fiscal year 2014.

The Bond Retirement Fund balance increased \$310,442. This is the result of the School District refunding its debt in fiscal year 2014 and a related decrease in Interest and Fiscal Charges.

### **General Fund - Budget Highlights**

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

During the course of fiscal year 2014, the School District revised its budget as it attempted to deal with unexpected changes in expenditures. There was an insignificant variance between original and final budgeted revenues. Final budgeted revenues were less than actual revenues by \$898,193. This variance is due to the increase in State funding. The variance in expenditures from the original and final budget compared to actual is insignificant.

The General Fund's ending unobligated cash balance was \$1,075,692 above the final budgeted amount.

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
Unaudited

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## **Capital Assets and Debt Administration**

### ***Capital Assets***

At the end of fiscal year 2014, the School District had \$64,964,344 invested in capital assets (net of accumulated depreciation), a decrease of \$1,133,540. This decrease is due significantly to current year depreciation on the School District's newly constructed buildings.

For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

### ***Debt***

At June 30, 2014, the School District had \$20,744,823 in bonds, accretion, and bond premium outstanding, \$930,000 of which is due within one year. The School District's long-term obligations also include capital lease obligations and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

## **Current Issues**

A major challenge facing the School District is the level of funding by the Ohio Department of Education. The future is always uncertain with regards to State funding. The School District was fortunate to receive an increase in State funding for fiscal years 2014 and 2015 but will still need to monitor spending and the need for additional revenue sources in the later years of the current five year forecast. In the meantime, the School District will continue to be good stewards of taxpayer dollars and control expenditures to within our means. Such sound financial management has allowed the School District to not return to the ballot for additional monies since 1996. The School District is proud of this rare accomplishment and will be conservative in assessing our needs for additional taxpayer dollars moving into the future.

## **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Becky Mullins, Treasurer at Washington Court House City School District, 306 Highland Avenue, Washington Court House, Ohio 43160 or e-mail [becky.mullins@wchcs.org](mailto:becky.mullins@wchcs.org).

**Washington Court House City School District**  
*Statement of Net Position*  
*June 30, 2014*

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$5,307,922
Cash and Cash Equivalents with Fiscal Agent	1,650,630
Materials and Supplies Inventory	12,919
Inventory Held for Resale	62,610
Accounts Receivable	41,894
Intergovernmental Receivable	349,297
Property Taxes Receivable	6,101,389
Revenue in Lieu of Taxes Receivable	15,489
Capital Assets:	
Land	477,521
Depreciable Capital Assets, Net	64,486,823
<i>Total Assets</i>	<i>78,506,494</i>
<b><u>Deferred Outflows of Resources:</u></b>	
Deferred Charge on Refunding	1,596,519
<b><u>Liabilities:</u></b>	
Accounts Payable	202,411
Accrued Wages and Benefits Payable	1,799,988
Intergovernmental Payable	416,784
Accrued Interest Payable	44,875
Matured Compensated Absences Payable	148,829
Claims Payable	281,100
Long-Term Liabilities:	
Due Within One Year	1,296,143
Due in More Than One Year	21,183,562
<i>Total Liabilities</i>	<i>25,373,692</i>
<b><u>Deferred Inflows of Resources:</u></b>	
Property Taxes	3,307,556
Revenue in Lieu of Taxes	15,489
<i>Total Deferred Inflows of Resources</i>	<i>3,323,045</i>
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	46,432,935
Restricted for:	
Debt Service	1,255,681
Capital Improvements	781,277
Food Service Operations	296,973
School Facilities Maintenance	838,360
District Managed Programs	156,301
Title I Programs	31,143
Title II-A Programs	99,940
Other Purposes	101,420
Unrestricted	1,412,246
<i>Total Net Position</i>	<i>\$51,406,276</i>

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Governmental Activities
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$10,514,960	\$865,910	\$138,876	(\$9,510,174)
Special	3,384,344	48,305	2,843,615	(492,424)
Vocational	0	0	566	566
Support Services:				
Pupils	845,466	28,847	139,678	(676,941)
Instructional Staff	1,200,993	0	387,954	(813,039)
Board of Education	25,990	0	0	(25,990)
Administration	1,889,089	0	68,131	(1,820,958)
Administration - Intergovernmental	102	0	0	(102)
Fiscal	600,251	0	0	(600,251)
Business	17,079	0	0	(17,079)
Operation and Maintenance of Plant	1,823,379	25,350	900	(1,797,129)
Pupil Transportation	754,458	0	113,638	(640,820)
Central	21,402	0	7,200	(14,202)
Operation of Non-Instructional Services:				
Food Service Operations	1,114,148	250,842	775,963	(87,343)
Other	15,688	0	0	(15,688)
Extracurricular Activities	737,240	220,302	79,216	(437,722)
Interest and Fiscal Charges	200,886	0	0	(200,886)
Issuance Costs	192,025	0	0	(192,025)
<b>Total Governmental Activities</b>	<b>\$23,337,500</b>	<b>\$1,439,556</b>	<b>\$4,555,737</b>	<b>(17,342,207)</b>
<b><u>General Revenues:</u></b>				
Property Taxes Levied for:				
				3,919,345
General Purposes				85,749
Other Purposes				1,098,336
Debt Service				348,679
Capital Outlay				
Grants and Entitlements not Restricted to				
Specific Programs				11,471,948
Revenue in Lieu of Taxes				15,489
Contributions and Donations				12,174
Investment Earnings				12,248
Miscellaneous				183,995
<b>Total General Revenues</b>				<b>17,147,963</b>
<b>Change in Net Position</b>				<b>(194,244)</b>
<b>Net Position at Beginning of Year</b>				<b>51,600,520</b>
<b>Net Position at End of Year</b>				<b>\$51,406,276</b>

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
*Balance Sheet*  
**Governmental Funds**  
*June 30, 2014*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$1,395,968	\$1,897,525	\$2,014,429	\$5,307,922
Cash and Cash Equivalents with Fiscal Agent	1,650,630	0	0	1,650,630
Receivables:				
Property Taxes	4,278,677	1,318,939	503,773	6,101,389
Revenue in Lieu of Taxes	11,001	3,214	1,274	15,489
Accounts	40,194	0	1,700	41,894
Intergovernmental	18,790	0	330,507	349,297
Interfund	239,575	0	0	239,575
Inventory Held for Resale	0	0	62,610	62,610
Materials and Supplies Inventory	0	0	12,919	12,919
<b>Total Assets</b>	<b>\$7,634,835</b>	<b>\$3,219,678</b>	<b>\$2,927,212</b>	<b>\$13,781,725</b>
<b><u>Liabilities:</u></b>				
Accounts Payable	\$88,998	\$0	\$113,413	\$202,411
Accrued Wages and Benefits Payable	1,609,151	0	190,837	1,799,988
Intergovernmental Payable	383,534	0	33,250	416,784
Interfund Payable	0	0	239,575	239,575
Matured Compensated Absences Payable	148,829	0	0	148,829
Claims Payable	281,100	0	0	281,100
<b>Total Liabilities</b>	<b>2,511,612</b>	<b>0</b>	<b>577,075</b>	<b>3,088,687</b>
<b><u>Deferred Inflows of Resources:</u></b>				
Property Taxes	2,271,604	755,159	280,793	3,307,556
Revenue in Lieu of Taxes	11,001	3,214	1,274	15,489
Unavailable Revenues	399,530	96,560	167,741	663,831
<b>Total Deferred Inflows of Resources</b>	<b>2,682,135</b>	<b>854,933</b>	<b>449,808</b>	<b>3,986,876</b>
<b><u>Fund Balances:</u></b>				
Nonspendable	0	0	12,919	12,919
Restricted	0	2,364,745	2,124,754	4,489,499
Assigned	260,957	0	0	260,957
Unassigned (Deficit)	2,180,131	0	(237,344)	1,942,787
<b>Total Fund Balances</b>	<b>2,441,088</b>	<b>2,364,745</b>	<b>1,900,329</b>	<b>6,706,162</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$7,634,835</b>	<b>\$3,219,678</b>	<b>\$2,927,212</b>	<b>\$13,781,725</b>

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2014*

**Total Governmental Fund Balances** \$6,706,162

***Amounts reported for governmental activities in the  
 Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	477,521	
Other capital assets	80,784,068	
Accumulated depreciation	(16,297,245)	
Total capital assets	64,964,344	64,964,344

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenues in the funds.

Delinquent property taxes	475,275	
Intergovernmental	146,662	
Accounts	41,894	
	663,831	663,831

Deferred outflows of resources include deferred charges on refundings which do not consume current financial resources and, therefore, are not reported in the funds 1,596,519

In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (44,875)

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

Bonds payable	(18,915,743)	
Bond premium	(1,829,080)	
Capital leases	(543,854)	
Compensated absences	(1,191,028)	
Total liabilities	(22,479,705)	(22,479,705)

**Net Position of Governmental Activities** \$51,406,276

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$3,902,396	\$1,097,002	\$433,904	\$5,433,302
Intergovernmental	13,153,064	284,125	2,694,954	16,132,143
Investment Earnings	12,248	0	0	12,248
Tuition and Fees	914,183	0	0	914,183
Rent	0	0	23,650	23,650
Extracurricular Activities	28,847	0	211,732	240,579
Contributions and Donations	7,888	0	83,412	91,300
Customer Sales and Services	32	0	259,412	259,444
Revenue in Lieu of Taxes	11,001	3,214	1,274	15,489
Miscellaneous	144,742	0	0	144,742
<b>Total Revenues</b>	<b>18,174,401</b>	<b>1,384,341</b>	<b>3,708,338</b>	<b>23,267,080</b>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	9,837,158	0	146,927	9,984,085
Special	2,220,071	0	919,044	3,139,115
Support Services:				
Pupils	698,475	0	138,113	836,588
Instructional Staff	541,064	0	536,232	1,077,296
Board of Education	18,768	0	0	18,768
Administration	1,812,508	0	69,120	1,881,628
Administration - Intergovernmental	102	0	0	102
Fiscal	551,592	34,062	13,470	599,124
Business	159	0	16,920	17,079
Operation and Maintenance of Plant	1,517,238	0	207,600	1,724,838
Pupil Transportation	649,373	0	81,016	730,389
Central	10,781	0	7,200	17,981
Operation of Non-Instructional Services:				
Food Service Operations	0	0	987,643	987,643
Other	6,037	0	8,192	14,229
Extracurricular Activities	322,830	0	324,063	646,893
Capital Outlay	22,332	0	695,099	717,431
Debt Service:				
Principal Retirement	14,089	660,000	156,942	831,031
Interest and Fiscal Charges	1,430	387,443	6,665	395,538
Issuance Costs	0	192,025	0	192,025
<b>Total Expenditures</b>	<b>18,224,007</b>	<b>1,273,530</b>	<b>4,314,246</b>	<b>23,811,783</b>
Excess of Revenues Over (Under) Expenditures	(49,606)	110,811	(605,908)	(544,703)
<b><u>Other Financing Sources (Uses):</u></b>				
Transfers In	0	0	6,000	6,000
Transfers Out	(6,000)	0	0	(6,000)
Premium on Refunding Bonds Issued	0	1,875,982	0	1,875,982
Refunding Bonds Issued	0	16,349,994	0	16,349,994
Payment to Refunded Bond Escrow Agent	0	(18,026,345)	0	(18,026,345)
Inception of Capital Lease	0	0	592,180	592,180
<b>Total Other Financing Sources (Uses)</b>	<b>(6,000)</b>	<b>199,631</b>	<b>598,180</b>	<b>791,811</b>
<b>Net Change in Fund Balances</b>	<b>(55,606)</b>	<b>310,442</b>	<b>(7,728)</b>	<b>247,108</b>
<b>Fund Balances at Beginning of Year</b>	<b>2,496,694</b>	<b>2,054,303</b>	<b>1,908,057</b>	<b>6,459,054</b>
<b>Fund Balances at End of Year</b>	<b>\$2,441,088</b>	<b>\$2,364,745</b>	<b>\$1,900,329</b>	<b>\$6,706,162</b>

See accompanying notes to the basic financial statements

*Washington Court House City School District  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

**Net Change in Fund Balances - Total Governmental Funds** \$247,108

***Amounts reported for governmental activities in the  
Statement of Activities are different because:***

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	882,738	
Depreciation expense	(2,016,278)	
Excess of depreciation expense over capital outlay		(1,133,540)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are reported as unavailable revenues in the governmental funds.

Delinquent property taxes	18,807	
Intergovernmental	(183,674)	
Miscellaneous	41,043	
		(123,824)

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Refunding Bonds Issued	(16,349,994)	
Premium on Refunding Bonds	(1,875,982)	
		(18,225,976)

Payment to refunded bond escrow agent is shown as an other financing use in the governmental funds, but the repayment reduces liabilities in the Statement of Net Assets and does not result in an expense in the Statement of Activities

18,026,345

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These amounts consist of:

Decrease in accrued interest	23,476	
Amortization of deferred charge on refunding	(79,826)	
Accretion on bonds	(4,795)	
Amortization of bond premium	255,797	
		194,652

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability.

(592,180)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

Bond payments	660,000	
Capital lease payments	171,031	
Total long-term debt repayment		831,031

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable	582,140	
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**Change in Net Position of Governmental Activities** (\$194,244)

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual (Budget Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$3,802,400	\$3,802,400	\$3,919,566	\$117,166
Intergovernmental	12,229,294	12,268,294	13,083,064	814,770
Investment Earnings	10,000	10,000	12,550	2,550
Tuition and Fees	869,964	869,964	914,183	44,219
Rent	300	300	0	(300)
Contributions and Donations	0	0	900	900
Customer Sales and Services	200	200	32	(168)
Revenue in Lieu of Taxes	0	0	11,001	11,001
Miscellaneous	154,870	154,870	62,925	(91,945)
<b>Total Revenues</b>	<b>17,067,028</b>	<b>17,106,028</b>	<b>18,004,221</b>	<b>898,193</b>
<b><u>Expenditures:</u></b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	9,957,551	10,057,550	9,348,290	709,260
Special	2,184,423	2,184,425	2,123,835	60,590
Student Intervention Services	0	25,000	0	25,000
<b>Support Services:</b>				
Pupils	549,417	549,418	733,102	(183,684)
Instructional Staff	426,217	606,956	469,731	137,225
Board of Education	30,800	30,800	18,686	12,114
Administration	964,436	964,435	1,650,712	(686,277)
Fiscal	543,070	543,071	540,466	2,605
Operation and Maintenance of Plant	1,708,454	1,708,453	1,591,494	116,959
Pupil Transportation	645,697	645,696	661,393	(15,697)
Central	187,045	6,306	16,139	(9,833)
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	0	0	2,934	(2,934)
Other	780	780	1,239	(459)
Extracurricular Activities	322,923	322,922	332,250	(9,328)
Capital Outlay	5,004	5,004	22,332	(17,328)
Intergovernmental	0	0	5,941	(5,941)
<b>Total Expenditures</b>	<b>17,525,817</b>	<b>17,650,816</b>	<b>17,518,544</b>	<b>132,272</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(458,789)</b>	<b>(544,788)</b>	<b>485,677</b>	<b>1,030,465</b>
<b><u>Other Financing Sources (Uses):</u></b>				
Insurance Recoveries	0	0	23,774	23,774
Refund of Prior Year Expenditures	0	0	26,453	26,453
Transfers Out	0	0	(5,000)	(5,000)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>45,227</b>	<b>45,227</b>
<b>Net Change in Fund Balance</b>	<b>(458,789)</b>	<b>(544,788)</b>	<b>530,904</b>	<b>1,075,692</b>
<b>Fund Balance at Beginning of Year</b>	<b>554,140</b>	<b>554,140</b>	<b>554,140</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>94,315</b>	<b>94,315</b>	<b>94,315</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$189,666</b>	<b>\$103,667</b>	<b>\$1,179,359</b>	<b>\$1,075,692</b>

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

	Private Purpose Trust Funds	Agency
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$754,636	\$46,105
<b><u>Liabilities:</u></b>		
Undistributed Monies	0	\$46,105
<b><u>Net Position:</u></b>		
Held in Trust for Scholarships	\$754,636	

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2014**

	Private Purpose Trust
<b><u>Additions:</u></b>	
Contributions and Donations	\$81,498
Investment Earnings	1,016
Miscellaneous	5,350
<i>Total Additions</i>	87,864
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	46,011
<i>Increase in Net Position</i>	41,853
<i>Net Position at Beginning of Year</i>	712,783
<i>Net Position at End of Year</i>	\$754,636

See accompanying notes to the basic financial statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the School District and Reporting Entity**

*Description of the School District*

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

The heritage of the Washington Court House City Schools began in 1813 when Samuel Loofborrow converted half of his double log cabin at the corner of Hinde and Paint Streets into a subscription school supported by the parents of his pupils.

Numerous one-room schools sprang up throughout the community during the 1800's. By 1856, a site on North Street was purchased and a new two-story eight-room school was built. In 1872, the building was upgraded and shortly thereafter, the system was approved as what was known as a "first grade" school which allowed it to conduct high school level courses.

In 1876, the Washington High School and Fayette County had its first high school graduates when three students, a boy and two girls, received their diplomas after studying Latin, Greek, French, logic, trigonometry, mental and moral philosophy and natural sciences using college textbooks.

The School District owns nine facilities: two elementary buildings (Cherry Hill and Belle Aire), two middle schools (Washington Middle School and historical middle school), one high school (Washington High School), one Educational Service Center (School District office), Gardner Park Sports Complex, High School Athletic Complex, and Liberty Hall.

The School District is located in Fayette County and is staffed by 102 non-certificated employees, and 198 certificated employees who provide services to 2,351 students and other community members.

*Reporting Entity*

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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

The School District participates in two jointly governed organizations and two insurance purchasing pools. These organizations are presented in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Miami Valley Educational Computer Association  
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pool:

South Central Ohio Insurance Consortium  
Ohio School Plan

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

**Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Government-wide Financial Statements*

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements ordinarily distinguish between those activities of the School District that are governmental and those that are considered business-type. However, the School District has no activities that are classified as business-type.

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

*Fund Financial Statements*

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

**Fund Accounting**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Governmental Funds*

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

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

Bond Retirement Debt Service Fund - The Bond Retirement Debt Service Fund is established to account for and report the accumulation of resources restricted for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

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

*Fiduciary Funds*

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Measurement Focus**

*Government-wide Financial Statements*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

*Fund Financial Statements*

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

The private purpose trust funds are reported using the economic resources measurement focus.

**Basis of Accounting**

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

*Revenues - Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance and grants.

*Deferred Outflows/Inflows of Resources*

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources included property taxes, revenue in lieu of taxes and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Expenses/Expenditures*

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

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

**Cash and Cash Equivalents**

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

"Cash and Cash Equivalents with Fiscal Agent" represents monies on hand with the fiscal agent for medical insurance cash balances for the self-insurance program which began on July 1, 2007, with the South Central Ohio Insurance Consortium.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$12,248, which includes \$8,301 assigned from other School District funds.

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

**Inventory**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. 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.

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the fiscal year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	5 - 10 years
Textbooks	5 - 15 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Compensated Absences**

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

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

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

On the governmental fund financial statements compensated absences are recognized as liabilities and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

**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 fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

**Fund Balance**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Nonspendable*

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

*Restricted*

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

*Committed*

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

*Assigned*

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

*Unassigned*

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

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

**Internal Activity**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**Estimates**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Budgetary Process**

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

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

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

**Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds**

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable. On the fund financial statements, bond premiums are reported as Other Financing Sources and issuance costs are reported as expenditures when the debt is issued. Accretion on the capital appreciation bonds are not reported.

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

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**NOTE 2 – FUND BALANCES**

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Materials and Supplies Inventory	\$0	\$0	\$12,919	\$12,919
<b><i>Restricted for</i></b>				
Debt Payment	0	2,364,745	0	2,364,745
Food Service Operations	0	0	284,054	284,054
School Facilities Maintenance	0	0	830,845	830,845
District Managed Activities	0	0	156,301	156,301
Miscellaneous Grants	0	0	104,631	104,631
Capital Improvements	0	0	748,923	748,923
<b><i>Total Restricted</i></b>	<b>0</b>	<b>2,364,745</b>	<b>2,124,754</b>	<b>4,489,499</b>
<b><i>Assigned to</i></b>				
Other Purposes	260,957	0	0	260,957
<b><i>Unassigned (Deficit)</i></b>	<b>2,180,131</b>	<b>0</b>	<b>(237,344)</b>	<b>1,942,787</b>
<b><i>Total Fund Balances</i></b>	<b>\$2,441,088</b>	<b>\$2,364,745</b>	<b>\$1,900,329</b>	<b>\$6,706,162</b>

**NOTE 3 – ACCOUNTABILITY**

At June 30, 2014, the New Building Locally Funded Capital Projects Fund had a deficit fund balance of \$237,344, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

*Washington Court House City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Certain funds are accounted for as separate funds internally within legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$55,606)
Adjustments:	
Revenue Accruals	24,904
Expenditure Accruals	771,502
Transfers	1,000
Encumbrances	(331,955)
Perspective Difference	121,059
Budget Basis	<u><u>\$530,904</u></u>

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 5 – DEPOSITS AND INVESTMENTS** *(continued)*

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than five years from the date of investment.

*Credit Risk:* The S&P ratings of the School District's investments are listed in the table above. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or issued by United States government sponsored enterprises.

At June 30, 2014, the School District had a balance of \$1,650,630 with the SCOIC, a risk sharing, claims servicing, and insurance purchasing pool (See Note 16). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the SCOIC as a whole may be obtained from their fiscal agent.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 6 – PROPERTY TAXES**

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

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

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

The Fayette County Treasurer collects property taxes on behalf of all local governments in the County. The Fayette County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 6 – PROPERTY TAXES** *(continued)*

The amounts available as an advance at June 30, 2014, were \$2,318,558 and are recognized as revenue: \$1,666,527 in the General Fund, \$467,220 in the Bond Retirement Debt Service Fund, and \$184,811 in the Other Governmental Funds. The amounts available as an advance at June 30, 2013, were \$2,345,123 and are recognized as revenue: \$1,683,697 in the General Fund, \$473,990 in the Bond Retirement Debt Service Fund, and \$187,436 in the Other Governmental Funds.

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

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

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$197,308,770	97.44%	\$198,677,950	97.56%
Public Utility Personal	5,176,270	2.56%	4,977,220	2.44%
Total Assessed Value	\$202,485,040	100.00%	\$203,655,170	100.00%

Tax rate per \$1,000 of assessed valuation	\$45.15	\$45.15
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**Revenue in Lieu of Taxes**

The School District is party to Tax Increment Financing (TIF) agreements. Municipalities, townships, and counties can enter into TIF agreements which lock in real property at its unimproved value for up to 30 years in a defined TIF district. Some TIF agreements also require the TIF government to allocate service payments to school districts and other governments to help offset the property taxes these governments would have received had the improvements to real property not been exempted. The service payments that the School District receives as part of TIF agreements are presented on the financial statements as Revenue in Lieu of Taxes.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2014, consisted of property taxes, revenue in lieu of taxes, accounts, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General Fund:	
SERS Receivable	\$18,790
Other Governmental Funds:	
Title I	112,182
Special Education, Part B-IDEA	66,701
Race to the Top	53,363
Title II-A, Improving Teacher Quality	82,834
Title VI-B, Rural and Low-Income	14,501
Early Childhood Special Education, IDEA	926
Total Intergovernmental Receivables	<u><u>\$349,297</u></u>

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**NOTE 8 – CAPITAL ASSETS**

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

	Balance at 6/30/13	Additions	Deductions	Balance at 6/30/14
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$477,521	\$0	\$0	\$477,521
Capital Assets Being Depreciated:				
Land Improvements	6,130,701	54,780	0	6,185,481
Buildings and Improvements	69,236,377	76,900	0	69,313,277
Furniture, Fixtures, and Equipment	2,092,848	663,206	0	2,756,054
Vehicles	1,626,828	87,852	(56,324)	1,658,356
Textbooks	870,900	0	0	870,900
Total Capital Assets Being Depreciated	79,957,654	882,738	(56,324)	80,784,068
Less Accumulated Depreciation:				
Land Improvements	(4,066,771)	(308,668)	0	(4,375,439)
Buildings and Improvements	(7,165,102)	(1,383,385)	0	(8,548,487)
Furniture, Fixtures, and Equipment	(906,626)	(269,738)	0	(1,176,364)
Vehicles	(1,327,892)	(54,487)	56,324	(1,326,055)
Textbooks	(870,900)	0	0	(870,900)
Total Accumulated Depreciation	(14,337,291)	(2,016,278) *	56,324	(16,297,245)
Total Capital Assets Being Depreciated, Net	65,620,363	(1,133,540)	0	64,486,823
Governmental Activities				
Capital Assets, Net	\$66,097,884	(\$1,133,540)	\$0	\$64,964,344

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 8 – CAPITAL ASSETS** *(continued)*

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$766,923
Special	299,329
Support Services:	
Pupils	54,979
Instructional Staff	186,432
Board of Education	7,222
Administration	158,828
Fiscal	24,435
Operation and Maintenance of Plant	140,911
Pupil Transportation	110,729
Central	3,421
Operation of Non-Instructional Services:	
Food Service Operations	123,344
Extracurricular Activities	139,725
Total Depreciation Expense	<u><u>\$2,016,278</u></u>

**NOTE 9 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to Hylant Administrative Services, LLC (See Note 16).

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

The School District pays all elected and appointed officials' bonds by statute.

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

*Washington Court House City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**NOTE 9 – RISK MANAGEMENT** *(continued)*

The School District provides a limited medical, surgical, and prescription drug insurance program for its employees. The School District joined the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool (Note 16), on July 1, 2005. As of July 1, 2005, the School District’s medical, surgical, and prescription drug was considered traditional premium insurance. Beginning July 1, 2007, medical, surgical, and prescription drug were all considered self-insured programs due to the School District retaining the risk. Claims are paid by the School District to the SCOIC. SCOIC contracts with Employee Benefits Management Corporation (EBMC) to service the claims of SCOIC members. The School District pays monthly medical premiums of up to \$1,811 for certified and classified employees for family coverage and up to \$659 for certified and classified employees for single coverage. The premiums paid are used for claims, claim reserves, and administrative costs. The School District had shared risk pool coverage with SCOIC which covered individual claims in excess of \$75,000 up to \$500,000 per employee per year for medical claims. The School District also had a stop loss coverage insurance policy through SCOIC which covered individual claims in excess of \$500,000 per employee per year for medical claims.

The claims liability at June 30, 2014 reported in the General Fund of \$281,100 is based on an estimate provided by an actuary for medical claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years, including medical, surgical, and prescription drug, are as follows:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2013	\$265,708	\$2,000,406	\$2,013,242	\$252,872
2014	252,872	2,426,379	2,398,151	281,100

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS** *(continued)*

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$316,614, \$290,938, and \$301,268, respectively. The full amount has been contributed for fiscal years 2014, 2013, and 2012.

**State Teachers Retirement System of Ohio**

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

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS** *(continued)*

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.

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

The School District's required contributions for STRS Ohio for DB Plan and for the defined portion of the Combined Plan for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,115,351, \$1,125,634, and \$1,156,985, respectively. For fiscal year 2014, 82.77 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$11,008 made by the School District and \$8,649 made by the plan members. In addition, member contributions of \$33,575 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

**NOTE 11 – POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System (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 as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 11 – 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 fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$40,490 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$43,874, \$42,484, and \$46,418, respectively. The full amount has been contributed for fiscal years 2014, 2013, and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$18,368, \$16,435, and \$17,791, respectively. The full amount has been contributed for fiscal years 2014, 2013, and 2012.

**State Teachers Retirement System of Ohio**

Plan Description – The School District contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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](http://www.strsoh.org) or by calling (888) 227-7877.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 11 – POSTEMPLOYMENT BENEFITS** *(continued)*

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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to postemployment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$85,796, \$86,587, and \$88,999, respectively. For fiscal year 2014, 82.77 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**NOTE 12 – EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators up to a maximum of 60 days upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for teachers and classified employees.

**Insurance**

The School District provides medical, surgical, prescription drug, and vision coverage to employees through the South Central Ohio Insurance Consortium (Note 16).

The School District also provides dental insurance through Delta Dental.

**Deferred Compensation**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 13 – LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the School District entered into capitalized leases for copier equipment. In fiscal year 2014, the School District also entered into a capitalized lease for laptop computers as part of the School District’s 1:1 initiative. The Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The equipment acquired by lease was initially capitalized in the amount of \$820,248 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments in fiscal year 2014 totaled \$171,031 and were paid from the General Fund and the Permanent Improvement Fund.

The assets acquired through capital leases as of June 30, 2014, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Equipment	\$820,248	(\$250,685)	\$569,563

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

	Fiscal Year Ending June 30,	Total Payments
	2015	\$173,648
	2016	154,206
	2017	123,646
	2018	123,646
Total		575,146
Less: Amount Representing Interest		(31,292)
Present Value of Net Minimum Lease Payments		\$543,854

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**NOTE 14 – LONG-TERM OBLIGATIONS**

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

	Amount Outstanding 6/30/13	Additions	Deductions	Amount Outstanding 6/30/14	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2005 Various Purpose School					
Improvement Bonds:					
Term Bonds 4.375 to 5.00%	\$15,755,000	\$0	\$15,755,000	\$0	\$0
Serial Bonds 3.00 to 4.15%	1,640,000	0	1,070,000	570,000	0
Capital Appreciation Bonds 1.452%	1,020,000		0	1,020,000	0
2013-2014 Various Purpose School					
Improvement Refunding Bonds:					
Term Bonds 3.50 to 4.00%	0	2,605,000		2,605,000	0
Serial Bonds 1.50 to 5.00%	0	13,555,000	185,000	13,370,000	930,000
Capital Appreciation Bonds 2.55 to 3.30%	0	189,994		189,994	0
Accretion on Capital Appreciation Bonds	1,155,954	4,795		1,160,749	0
Premium on Debt Issue	208,895	1,875,982	255,797	1,829,080	0
Compensated Absences	1,773,168	53,541	635,681	1,191,028	207,065
Capital Leases	122,705	592,180	171,031	543,854	159,078
Total Governmental Activities					
Long-Term Obligations	<u>\$21,675,722</u>	<u>\$18,876,492</u>	<u>\$18,072,509</u>	<u>\$22,479,705</u>	<u>\$1,296,143</u>

**2005 Various Purpose School Improvement General Obligation Bonds**

On October 1, 2005, the School District issued \$21,000,000 in voted general obligation bonds for the purpose of constructing new classroom facilities. Current interest bonds were issued in an aggregate principal amount of \$19,980,000. Of these bonds, \$4,225,000 are serial bonds and \$15,755,000 are term bonds. The bonds were issued for a 28 year period with final maturity in December 2033.

**2013-2014 Various Purpose School Improvement Refunding Bonds**

During the fiscal year the School District refunded the 2005 Various Purpose School Improvement General Obligation Bonds in two series. The 2013 series Various School Improvement Refunding Bonds were issued on November 7, 2013 and the 2014 series Various Purpose School Improvement Refunding Bonds were issued on April 15, 2014.

*Washington Court House City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**NOTE 14 – LONG-TERM OBLIGATIONS** *(continued)*

Prior to the 2014 series Refunding Bonds, the School District made principal payments of \$475,000 on the 2005 Various Purpose School Improvement General Obligation Bonds.

The 2013-2014 Various Purpose School Improvement Refunding Bonds were sold at a premium of \$1,875,982. Proceeds of \$18,026,345 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 2005 Various Purpose School Improvement General Obligation Bonds. As a result, \$16,350,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds have been removed from the School District’s financial statements. As of June 30, 2014, \$ 16,350,000 of the bonds were not matured and unpaid.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,676,345. This amount is presented as a Deferred Charge on Refunding and amortized over the remaining life of the new debt. The School District decreased its total debt service payments by \$1,932,734 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$1,139,639.

The term bonds, issued at \$2,605,000 and maturing on December 1, 2029, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2024 and each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Amount
<hr/>	<hr/>
2024	\$35,000
2025	35,000
2026	35,000
2027	1,185,000
2028	1,180,000
Total	<hr/> <hr/> \$2,470,000

Unless otherwise called for redemptions, the remaining \$135,000 principal amount of the bonds due December 1, 2027 is to be paid at stated maturity.

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 14 – LONG-TERM OBLIGATIONS** *(continued)*

The serial bonds issued at \$13,555,000, with maturity dates of December 1, 2015, to December 1, 2034, are subject to optional redemption, in whole or in part on any date at the option of the issuer on or after December 1, 2023, at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$189,994, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2016, 2017, 2022, 2023, and 2024 with a maturity amount of \$595,000, \$595,000, \$887,200, \$132,200, and \$1,265,113 in the maturing fiscal years, respectively. For fiscal year 2014, the capital appreciation bonds were accreted \$4,128.

The bonds will be retired from the Bond Retirement Debt Service Fund.

Compensated absences will be paid from the General Fund. Capital lease obligations will be paid from the General Fund and the Permanent Improvement Fund.

The School District’s overall legal debt margin was \$2,938,716 with an unvoted debt margin of \$203,655 at June 30, 2014.

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

Various Purpose School Improvement Refunding Bonds							
Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Serial Bonds Principal	Serial Bonds Interest	Capital	Capital	Total
					Appreciation Bonds Principal	Appreciation Bonds Interest	
2015	\$0	\$0	\$930,000	\$523,500	\$0	\$0	\$1,453,500
2016	0	0	270,000	506,150	513,690	81,310	1,371,150
2017	0	0	270,000	501,450	506,310	88,690	1,366,450
2018	0	0	870,000	492,237	0	0	1,362,237
2019	0	0	890,000	478,363	0	0	1,368,363
2020-2024	0	0	2,860,000	1,762,725	189,994	2,094,519	6,907,238
2025-2029	2,470,000	1,041,025	3,210,000	421,400	0	0	7,142,425
2030-2034	135,000	188,063	4,640,000	336,200	0	0	5,299,263
Total	<u>\$2,605,000</u>	<u>\$1,229,088</u>	<u>\$13,940,000</u>	<u>\$5,022,025</u>	<u>\$1,209,994</u>	<u>\$2,264,519</u>	<u>\$26,270,626</u>

*Washington Court House City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**NOTE 15 – INTERFUND ACTIVITY**

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

	<b>Receivable</b>
	General
<b>Payable</b>	
Other Governmental Funds	\$239,575

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Transfers from the General Fund of \$6,000 were made to move unrestricted balances to support programs and projects accounted for in other funds.

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL**

**Jointly Governed Organizations**

*Miami Valley Educational Computer Association*

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 24 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a Board of Directors consisting of superintendents and treasurers of the members' school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid MVECA \$157,146 for services during the fiscal year. Financial information can be obtained from Thor Sage, who serves as Director, at 330 E. Enon Road, Yellow Springs, Ohio 45387.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL** *(continued)*

*Southwestern Ohio Educational Purchasing Council*

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 126 school districts in 18 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by SOEPC. Each member district has one voting representative. Any district withdrawing from SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. During the fiscal year, the School District paid \$1,242 to SOEPC for membership. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Insurance Purchasing Pool**

*South Central Ohio Insurance Consortium*

The School District is a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. Members include the following school districts and governmental entities: Amanda Clearcreek Local School District, Berne Union Local School District, Bloom-Carroll Local School District, Canal Winchester Local School District, Fairfield Union Local School District, Lancaster City School District, Fairfield County Board of DD, City of Lancaster, Liberty Union-Thurston Local School District, Miami Trace Local School District, Zane Trace Local School District, and Washington Court House City Schools. The Liberty Union-Thurston Local School District serves as the fiscal agent for the SCOIC.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE**  
**PURCHASING POOL** *(continued)*

SCOIC contracts with the Jefferson Health Plan (formerly, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)), for internal pool and stop loss coverage. The SCOIC members are considered self-insured and pay a monthly premium to SCOIC that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. An additional fee is paid for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. SCOIC members participate in the shared risk pool through the Jefferson Health Plan for individual claims from \$75,000 to \$500,000. SCOIC members are then covered under stop loss coverage for claims over \$500,000. In the event that the School District would withdraw from SCOIC, the School District would be required to give a 180 day notice prior to the end of their three year contract, be responsible for all run-out claims, and would have no rights to share in any surplus funds of SCOIC. To obtain financial information for the SCOIC, write to the fiscal agent, Liberty Union-Thurston Local School District, 600 Washington Street, Baltimore, Ohio 43105.

*Ohio School Plan*

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the OSP to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing for the OSP. The Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 17 – SET-ASIDE CALCULATIONS**

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

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

	<u>Capital Acquisitions</u>
Set-aside Balance as of June 30, 2013	\$0
Current Fiscal Year Set-aside Requirement	378,186
Current Fiscal Year Offsets	(241,210)
Qualifying Disbursements	<u>(136,976)</u>
Set-aside Balance as of June 30, 2014	<u>\$0</u>
Required Set-aside Balances Carried Forward to Fiscal Year 2015	<u><u>\$0</u></u>

Although the School District had offsets and qualifying expenditures for capital acquisitions that exceeded the set-aside requirements, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore are not presented as being carried forward to the next fiscal year.

**NOTE 18 – CONTINGENCIES**

**Grants**

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

**Litigation**

During the fiscal year, the School District was party to litigation with a former employee involving an Ohio Bureau of Workers' Compensation claim. The School District's legal counsel estimates that the potential judgment against the School District resulting from the proceedings would not materially affect the financial statements of the School District.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 19 – SUBSEQUENT EVENTS**

**Copier Lease**

In November 2014, the School District entered into a lease agreement with Konica Minolta for the purchase of all new copiers district-wide. The lease requires monthly lease payments of \$4,228.62 for 60 months that will be made from the Permanent Improvement Capital Projects Fund.

**Termination of Annexation of Property Agreements with Miami Trace Local School District**

In August 2014, the Washington Court House City School District and the Miami Trace Local School District mutually agreed by identical resolutions to terminate all previous land transfer agreements in exchange for final payment of \$3,960.

**HB264 Project**

In September 2014, the Washington Court House City School District approved a resolution to enter into a HB264 project with Energy Optimizers, USA. The total cost of the project approved is \$697,550. The project is estimated to have an 11% return on investment over 8 years.

Washington Court House City School District  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 38,500	38,500
<i>Cash Assistance:</i>				
School Breakfast Program	006-0000	10.553	188,168	188,168
National School Lunch Program	006-0000	10.555	526,338	526,338
<i>Cash Assistance Subtotal</i>			<u>714,506</u>	<u>714,506</u>
Nutrition Cluster Total			<u>753,006</u>	<u>753,006</u>
Total U.S. Department of Agriculture			<u>753,006</u>	<u>753,006</u>
<b>U.S. Department of Education:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	572-9213	84.010	92,239	69,670
Title I Grants to Local Educational Agencies	572-9214	84.010	669,197	603,617
			<u>761,436</u>	<u>673,287</u>
Special Education Cluster:				
Special Education - Grants to States	516-9213	84.027	66,453	50,727
Special Education - Grants to States	516-9214	84.027	440,427	411,063
Special Education - Preschool Grants	587-9214	84.173	5,036	3,982
			<u>511,916</u>	<u>465,772</u>
Rural Education	599-9213	84.358	10,969	2,500
Rural Education	599-9214	84.358	38,544	33,244
			<u>49,513</u>	<u>35,744</u>
Improving Teacher Quality State Grants	590-9213	84.367	2,242	4,552
Improving Teacher Quality State Grants	590-9214	84.367	162,267	139,956
			<u>164,509</u>	<u>144,508</u>
Race to the Top:				
ARRA - FAMS Pilot Project	506-9240	84.395	26,250	6,074
ARRA - RttT Mini Grant Expand Value	506-9203	84.395	12,426	12,426
ARRA - Race to the Top FY 2012	506-9213	84.395	27,200	8,673
ARRA - Race to the Top FY 2012	506-9214	84.395	34,825	37,056
			<u>100,701</u>	<u>64,229</u>
<i>(Passed through Great Oaks Institute of Technology and Career Development)</i>				
Career and Technical Education - Basic Grants to States	524-9212	84.048	-	29
Career and Technical Education - Basic Grants to States	524-9214	84.048	3,600	1,065
			<u>3,600</u>	<u>1,094</u>
Total U.S. Department of Education			<u>1,591,675</u>	<u>1,384,634</u>
Total Federal Awards			\$ <u>2,344,681</u>	<u>2,137,640</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE C - NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Washington Court House City School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District ("School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 18, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 18, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Washington Court House City School District:

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

We have audited Washington Court House City School District's ("School District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2014. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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## Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 18, 2014

Washington Court House City School District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2014

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued :	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? none

Identification of major programs:

*Special Education Cluster:*

*CFDA 84.027 – Special Education-Grants to States*

*CFDA 84.173 – Special Education-Preschool Grants*

*CFDA 84.010 – Title I Grants to Local Educational Agencies*

*Nutrition Cluster:*

*CFDA 10.553 – School Breakfast Program*

*CFDA 10.555 – National School Lunch Program*

Dollar threshold to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? yes

**Section II - Financial Statement Findings**

**None**

**Section III – Federal Award Findings and Questioned Costs**

**None**

## **Section IV – Schedule of Prior Audit Findings**

**Finding 2013-001** – Special Education Cluster – CDFA No's 84.027 and 84.173 and Title I Cluster –  
CFDA No. 84.010

*Condition:* We performed tests to determine if the School District was properly preparing semi-annual certifications for employees that work solely on a specific federal program to support salaries and wages. We noted these certifications were not prepared for employees to support salaries and wages.

*Recommendation:* We recommend the School District implement procedures for all federal program coordinators which will include a timeline for the semi-annual certifications to be completed.

**Status:** *Corrected.*

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# Dave Yost • Auditor of State

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT

FAYETTE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 5, 2015